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Urbana-Champaign Campus



Chicago Campus

University of Illinois

Springfield Campus



Annual Financial Report

Fiscal Year 2000

Board of Trustees

By establishing
university policies,
the Trustees
strongly influence
all that occurs on
our campuses and,
ultimately, the
University's contri-
butions to society.

It is a daunting
task, and our
trustees work hard
to succeed at it.

James J. Stukel
President



Member Ex-Officio
Honorable George Ryan, Governor



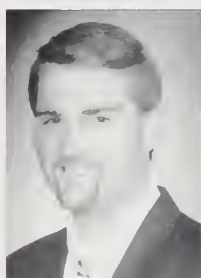
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UNIVERSITY OF ILLINOIS
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One University—Three Campuses

serving the people of Illinois



The **University of Illinois at Chicago (UIC)** offers a vigorous academic, social and cultural environment for undergraduate, graduate, and professional students. UIC is a nationally recognized urban university that sits southwest of Chicago's Loop and grants degrees in more than 90 programs taught by award-winning faculty. Exceptional strengths in engineering, medicine and pharmacy make UIC a bedrock for biomedical research and commercial innovations.

<http://www.uic.edu>

University of Illinois at Springfield (UIS) is distinguished by its small liberal arts atmosphere with notable programs in business, human services and public affairs. A four-year undergraduate program called Capital Scholars will begin in Fall 2001 that will emphasize the campus's public affairs mission. Today upper-division and graduate students enjoy a personalized, top-quality education and the benefit of academic ties with the capital city.

<http://www.uis.edu>



Intellectual talent, scholarly study, and interdisciplinary research set apart Big Ten **University of Illinois at Urbana-Champaign (UIUC)** and establish it as a university of global importance. Students benefit from diverse programs and nationally acclaimed faculty who bring real-world experience to the classroom. UIUC is prominent in computing, engineering and business disciplines, has graduated Nobel laureates and Pulitzer Prize winners and is exporting its product—knowledge—more extensively into the business sector.

<http://www.uiuc.edu>



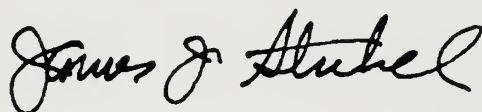
On behalf of the Board of Trustees, faculty, students and staff, I am proud to present the University of Illinois Annual Financial Report for Fiscal Year 2000. Besides information about the University's financial position and performance for the fiscal year ended June 30, 2000, the report includes some amazing stories that illustrate how the University develops, uses and assesses technology to benefit the people of Illinois.

One of the nation's original land-grant universities, the mission of the University of Illinois was eloquently stated in a document presented to the Illinois General Assembly during the struggle to establish a national system of public industrial colleges: "the more liberal and practical education of our industrial classes, in their various pursuits. . .the production of knowledge and literature needful in those pursuits, and developing, to the fullest and most perfect extent, the resources of our soil and our arts, the virtue and intelligence of our people, and the true glory of our common country." For 132 years, the University has successfully pursued this mission by providing students with a high-quality education, engaging in trend-setting research and reaching out to the citizens of Illinois with public service programs in such areas as the arts, health, economic development and housing.

Technology plays a role in each of these, from the one-of-a-kind integrated circuit teaching laboratory in Urbana-Champaign to the search for natural cancer-preventing substances in Chicago to the first handicap-accessible telescope in the country, used for public stargazing parties in Springfield. The University of Illinois is today, and has been since its founding, a leader in integrating technology of all kinds seamlessly into its educational, research and public service missions. Where the technology doesn't exist to address a pressing problem or to advance a field of study, the University creates it, and then shares it with the world.

That the University is successful in its mission is due in no small part to the people within it. The world-renowned faculty at our main campuses in Chicago, Springfield and Urbana-Champaign, and at our regional health sciences programs in Peoria and Rockford, attracts not only bright and hard-working undergraduate, graduate and professional students, but also more than \$300 million in federal and private research support each year. They and their students daily serve thousands of Illinoisans through more than 600 public service programs. Nearly 17,000 dedicated staff members work tirelessly toward the smooth functioning of these programs and of the University itself.

Today's faculty, staff and students, and those who follow, will witness many changes in the 21st century. It is difficult to imagine what form new challenges will take. What I know, however, is that the University of Illinois will be on the forefront of addressing these challenges, viewing each as an opportunity to find better ways to educate students, advance knowledge and solve problems through research, and serve the needs of Illinois citizens through outreach programs. Over the next few pages, you will learn about some challenges the University has successfully addressed. They will help you understand why I, more than 87,000 faculty, staff and students, and nearly a half-million alumni take such pride in being affiliated with the University of Illinois.



James J. Stukel, President
September 18, 2000

President's Message



Dividends of Technology:

14 Ways the University of Illinois Benefits the People of Illinois

Open any door...look into any classroom... visit any library...check any laboratory. Technology is everywhere at the University of Illinois. We invent it. We use it. We test it. We assess it. We improve it. We partner with industry to push it into the marketplace, into the global economy. We are the creators, the users, the judges and the transmitters of technology.

This is not a new role for the University of Illinois, which has been in the technology business since the turn of the last century. Then it was heavy equipment, design and materials innovations for railroads, bridges and buildings, rural electrification, sound-on-film, corn and soybean breeding. Later it was supercomputing, nuclear energy, microbes that eat oil slicks, virtual reality, kidney transplants, magnetic resonance imaging. Whether in computing, medicine, pharmaceuticals, agriculture or library information science, the University of Illinois has a rich history of accomplishment and leadership in technology.

Technology is everywhere and ever-changing, which keeps the U of I restless in its relentless pursuit of the latest theory, device, method, material or test in the technological race.

Scientists and researchers at the University of Illinois are proud that so much of their work produces technological dividends that benefit the people of Illinois — and well beyond.



It's virtually possible.

The National Center for Supercomputing Applications (NCSA) at the University of Illinois at Urbana-Champaign — world renowned for its leadership in high-performance computing, visualization and networking — is now applying its expertise to the development of a revolutionary online community that is changing the very nature of long-distance collaborations. NCSA and its National Computational Science Alliance partners are developing a virtual workspace called the Access Grid. Using the Grid, researchers who are thousands of miles apart can meet in real time — with computers, scientific instruments, educational tools and datasets in hand — and work as if they were across the room from each other. Remote training, distance education and inter-institutional research will never be the same again.

Lend me an ear!

Small, complex and delicate, the human ear presents a special challenge to surgeons. Its vital nerves, membranes and blood vessels, as well as the tiny bones that conduct sound, are encased in bone, making for few surgical landmarks. Surgeons must have precise knowledge of these structures to proceed safely with their drills and other surgical instruments. Since 1997, doctors who are training to become head and neck surgeons at the University of Illinois at Chicago have been able to supplement their training on a virtual ear, thanks to surgeon Theodore Mason and the Virtual Reality in Medicine Laboratory. Using a wand, special glasses and a 20-square-foot screen called the ImmersaDesk, surgeons can view and maneuver around the fine bones, nerves and hollow spaces in the human ear from any vantage point inside or outside the ear.



Good things come in small packages.



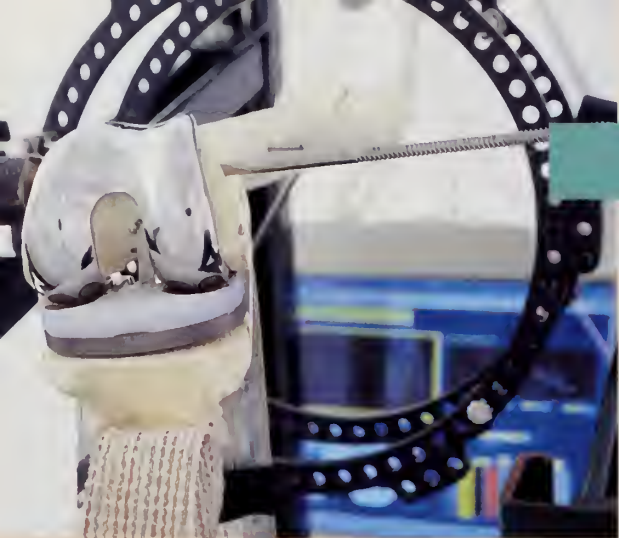
The University of Illinois is fast becoming a leader in the field of microelectromechanical systems (MEMS) technology. Combining microcircuitry with tiny mechanical devices embedded in semiconductor chips, MEMS devices can gather information, then use it to control the environment. Could we be walking around in the near future in air-conditioned clothing? An Urbana-Champaign team led by Mike Philpott and Mark Shannon has completed research on and is testing a tiny, flexible refrigerator, complete with compressor and heat exchanger, that is about one-eighth inch thick. Such devices can be sewn into fabric to create lightweight, wearable coolers, an application that will have great benefit for both military personnel and firefighters.

From the skies to the CAVE.

The University of Illinois not only develops and uses technology, but assesses the effectiveness of existing technology. An experimental study of commercial flight training software by the Institute of Aviation at Urbana-Champaign led the Federal Aviation Administration (FAA) to change instrument training requirements for pilots. The Institute's study of Personal Computer-Based Aviation Training Device (PCATD) software found it was effective in training student pilots on instrument tasks. The FAA now allows up to 10 hours of PCATD training in place of more expensive flight training devices or actual in-aircraft instrument flight training, making pilot training more affordable and more accessible.

Researchers also develop software that makes an impact beyond the borders of the campus. For example, the CAVE Library (CAVELib™), developed by the Electronic Visualization Laboratory at Chicago, is used to develop virtual reality applications for research, engineering, product development, manufacturing, training, medicine and marketing. CAVELib™ software can transform numerical datasets into easily viewed and manipulated three-dimensional models. It is the most commonly used software in virtual reality collaborations in business and industry worldwide and is commercially supported, distributed and advanced by a company founded by UIC graduates called VRCO, Inc.





It's hip to be square.

An artificial knee that doesn't fit perfectly is a knee that's more likely to cause problems and pain. University of Illinois at Chicago mechanical engineering professor Farid Amirouche applied a new engineering solution to this medical problem of misaligned joints. He and clinical orthopedic professor Mark Gonzalez developed a new type of sensor device that continuously records pressure at the joint and forces on the tendons and ligaments to determine the perfect fit for a prosthetic joint. Surgeons now can detect even slight problems with the fit of a prosthetic joint during surgery, allowing them to modify the fit while the patient is still in the operating room.

A toast to your health.

The University of Illinois at Chicago is home to the broadest-based chemoprevention drug discovery program in the world. Researchers there have analyzed and tested more than 2,500 natural products for cancer-preventing properties since 1991. In 1997, a team led by pharmacy professor John Pezzuto announced that a substance in red wine, which they named resveratrol, inhibited the onset and progression of cancer in mice. The National Cancer Institute now has resveratrol in pre-clinical testing.



We take care of your best friend.

A veterinarian's diagnosis of cancer may be less devastating for Illinois pet owners, thanks to the University of Illinois at Urbana-Champaign College of Veterinary Medicine. The diagnostic and treatment facilities of its teaching hospital include the state's only magnetic resonance imaging (MRI) machine dedicated to veterinary use and only cobalt radiation therapy unit. With these and advanced facilities in ultrasound, computer tomography (CT) scanning and nuclear medicine, a variety of ailments — tumors, degenerative diseases, joint problems, inflammatory diseases and more — can be caught and treated before they become life threatening to pets.

An invaluable resource for pet owners as well as thousands of Illinois veterinarians who refer cases each year, College of Veterinary Medicine teaching hospital staff analyzed nearly 9,000 diagnostic X-rays and ultrasound scans in 1998. CT scans were performed at the rate of nearly two per day, MRIs at nearly three per week, and more than 2,000 cobalt radiation treatments were administered. More than 300 horses who might otherwise have developed severe problems with lameness benefited from nuclear bone scans, which detect stress fractures that are too small to be seen in standard X-rays.



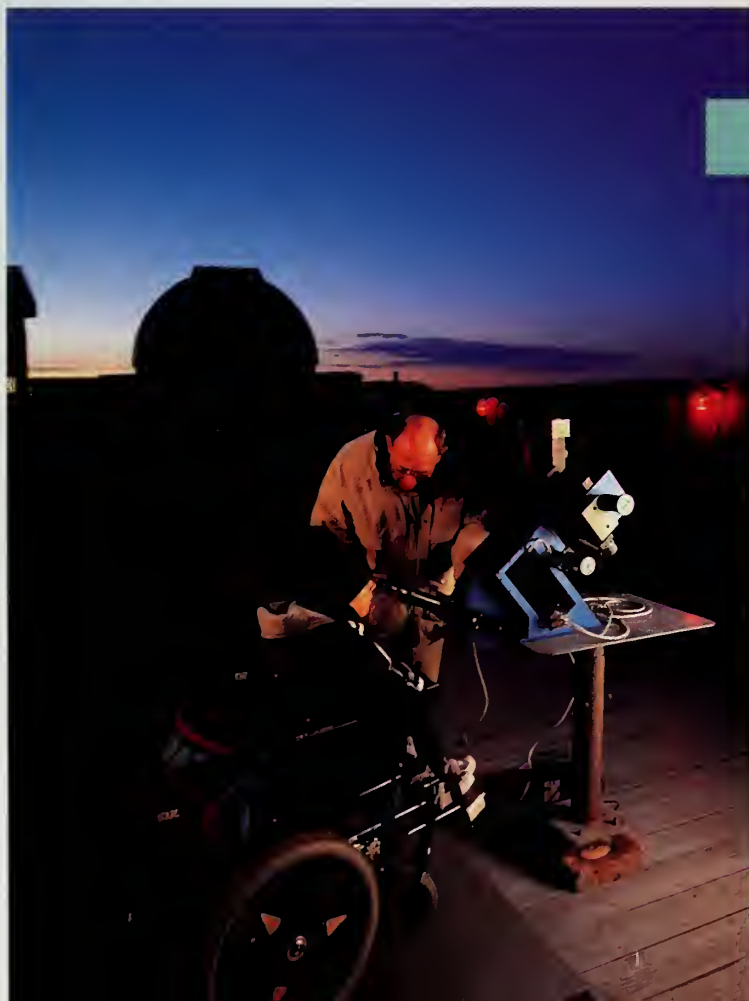
Wrap up a winner.

Each year, Illinois hay producers lose about a third of their crop to molds and other factors that compromise the hay's quality. University of Illinois at Urbana-Champaign professor Graciela Padua led a research effort to develop, through extrusion technology, a corn-based wrap for hay that could withstand the rigors of a Midwestern winter without cracking. Not only will this new product prevent crop and financial losses for Illinois hay producers, but it also has potential for use in shipping foods to Europe, which prohibits the use of plastics in shipping. What an innovative way to create new markets for Illinois' corn crops!



Starlight, starbright. . .

When University of Illinois at Springfield professor of astronomy Charles Schweighauser noticed that people who have difficulty standing weren't able to stargaze through a conventional telescope, he decided to fix that. The result is a sophisticated, easy-to-use instrument that enables people who use wheelchairs to join in the enjoyment of celestial objects at the UIS Observatory. The first such telescope to be built, it combines traditional optical design with the unique feature of a fixed eyepiece and can accommodate stargazers in any size wheelchair. The telescope is used for both teaching and public viewings.



Both a lender and a borrower be.

With more than 9 million volumes, the University of Illinois at Urbana-Champaign houses the third largest academic library in the United States—trailing only Harvard and Yale. Every week more than a million patrons browse and borrow from the library's own collections through its online catalog. The library's books, maps, manuscripts, databases and journals also form the backbone of a statewide library sharing system, which the University operates for its 45 member libraries at public and private universities and colleges in Illinois and the Illinois State Library, too. Called ILLINET Online, this sharing system has more than 22 million items that can be sent to any local library—no matter how small or remote—in the state. In the last year, nearly 1.5 million volumes circulated through ILLINET Online.



Point, click and learn.

With the development of the pioneering browser Mosaic in 1993, University of Illinois at Urbana-Champaign researchers launched the World Wide Web as an international medium for information, entertainment and commerce. Now, the U of I is developing some of the most widely used Web-based resources in the state.

- Nearly a million people a month check the good, the bad and the ugly of their daily diets through the Nutrition Analysis Tool, developed by professor Jim Painter in the College of Agricultural, Consumer, and Environmental Sciences in Urbana-Champaign (www.ag.uiuc.edu/~food-lab/nat).
- A million travelers each month check Chicago-area traffic conditions on a site developed by the Artificial Intelligence Laboratory at Chicago (www.ai.uic.edu/GCM/CongestionMap.html).
- The Map and Geography Library in Urbana-Champaign, working with the Geographic Modeling Systems Laboratory and a local printing firm, has created a site of digitized aerial photos of the state dating back to the 1920s (see left). The project both preserves the actual photos and makes the information they contain more accessible to researchers, urban planners, developers and others around the state (images.library.uiuc.edu/projects/aerial_photos).
- The UIC Medical Center site gives people access to 30 million pages of health information (uichealth.org/uic/home.icl).
- Springfield professor Ray Schroeder has created a comprehensive clearinghouse site that provides K-12 teachers, reporters and others with an incredible array of useful information and links, including guidelines for evaluating online resources (www.uis.edu/~schroeder/ray.html).
- Soybean farmers can make better market decisions thanks to StratSoy, a comprehensive site developed by University of Illinois Extension specialists (www.ag.uiuc.edu/~stratsoy).



Basic research to meet basic needs.

In offices, laboratories, institutes and centers across all three campuses of the University of Illinois, researchers use information and computational technology to solve real problems. For example, the Greater Chicago Food Depository, the nation's largest food bank, wanted to make sure it was reaching people who needed help the most.

It turned to a research team headed by Charles Hoch, a professor in the College of Urban Planning and Public Affairs at Chicago. They applied complex computerized mapping to census and poverty data, food distribution records and other data to identify 150 areas of Chicago and Cook County where poverty is high and the distribution of free food is low. The Food Depository is now working with community groups to develop pantries and soup kitchens that will bring more food into the target areas.



We're No. 1!

In fact, we're the only one!

Integrated circuits are everywhere. They're in the tiny microchips that run our cars and make our VCRs and coffeemakers programmable, and they have become increasingly complex. That means every step of the microchip development process, from design to fabrication to testing, is critical. Sophisticated manufacturing and testing equipment exists in industry, but no university in the U. S. has been able to provide hands-on education in the entire process. None, that is, until Intel and Hewlett-Packard donated a chip fabrication line and a highly sought-after integrated circuit tester to the University of Illinois at Urbana-Champaign College of Engineering, making it the only university in the United States to have full integrated circuit capability. Graduates of the electrical and computer engineering department are unique in their ability to bring this experience to their new employers.

Whole lotta shakin' going on.

There were nearly 18,000 earthquakes worldwide in 1999, according to the U.S. Geological Survey. More than 50 were strong enough to cause deaths, injuries or substantial damage. And though most earthquakes in this country occur west of the Rocky Mountains, the most violent earthquakes historically have occurred in the central U.S. The New Madrid, Missouri, earthquake of 1811-12 — really a series of shocks occurring over five months — rang church bells on the Eastern seaboard! Scientists say there is a significant potential in the near future for a large earthquake along the New Madrid fault, which extends through five central states including Illinois. What can be done to minimize damage and loss? That's a question researchers at the Mid-America Earthquake Center are working to answer. The University of Illinois at Urbana-Champaign is the lead institution of the Center, funded by the National Science Foundation. A consortium of seven universities, the Center is pursuing research dedicated to increasing public safety and reducing economic losses by identifying ways to strengthen existing buildings, protect the region's transportation network and improve understanding of seismic forces in the central U.S.



Message from the

Vice President for Administration, Comptroller



I am pleased to present the Annual Financial Report of the University of Illinois for the fiscal year ended June 30, 2000. The financial statements demonstrate both a positive financial performance and a favorable financial position. Highlights include growth of \$148 million in current operating revenue; \$25.7 million in the operating fund; \$13.7 million in the endowment fund, and \$139.4 million in the plant fund. These positive trends are not surprising; they reflect the traditional quality and strength of University programs. While we are proud of this past performance, we are also aggressively pursuing strategic initiatives that will keep the University at the leading edge of academic and research programs and promote future financial health. Two of these initiatives are an expanded and targeted role in statewide economic development and a significant upgrade of the University's computer infrastructure through an enterprise resource planning system.

This last year saw considerable activity in economic development at the University of Illinois, coinciding with two actions of Illinois state government:

The first was Governor George Ryan's initiative—called Illinois VentureTECH developed to keep Illinois competitive in a global marketplace dominated increasingly by high technology. One component of the VentureTECH program is expanded investment in the research and development capabilities of the University of Illinois and a greater emphasis on rapid transfer of ideas from the University's research laboratories to the commercial marketplace. In support of VentureTECH, the legislature appropriated to the University planning and initial construction funds for four new R&D facilities: a research incubator at the Urbana-Champaign campus, a medical imaging research facility in Chicago to house the world's most powerful magnetic resonance imaging device, a major biotechnology laboratory for both animal and plant genomes in Urbana, and a laboratory and office building to consolidate on the Urbana campus all sections of the National Center for Supercomputing Applications - birthplace of Mosaic, which led to the rapid accessibility of the Internet. But VentureTECH is not only a brick-and-mortar program. In its first year, it also supported hiring about 70 new researchers and scientific support staff, primarily in biotechnology - the most promising R&D arena.

Secondly, the Illinois Senate passed a resolution clarifying the University's role in and commitment to statewide economic development. The resolution recognizes the indisputable link between R&D at major research institutions like the University and new opportunities for the state's economy. The Senate calls on the University to expand its economic-development efforts with a statewide focus and the resolution calls on the University to use its facilities, equipment and human resources to both develop and commercialize new technology and scientific innovations. These uses, the Senate said, are in the public interest and expressly do not conflict with the University's traditional missions in instruction, research and public service. A companion resolution is pending in the Illinois House of Representatives.

To meet this challenge, the University is initiating new programs and enhancing existing programs to nurture high technology start-up companies and house maturing companies. The University has created a start-up service organization, IllinoisVENTURES, LLC. IllinoisVENTURES will help high-potential companies with business and investment services they need for their early development and rapid growth. Services will include for example, help with business plans, obtaining seed and venture capital funding, and recruiting management talent. IllinoisVENTURES creates value by bringing technologies, business ideas, capital, and experienced managers together into viable, well-conceived technology-based businesses. In return, IllinoisVENTURES will take an equity position in the companies. Any return will be reinvested in new start-up companies to further the economic development role.

Research parks near the University's campuses will attract mature companies interested in close interactions with our faculty and students and that can benefit from the University's unique research facilities and services. The University is developing plans for a research park at its Urbana-Champaign campus. The research park will include an 8-acre north center, located adjacent to the Engineering Campus and the Beckman Institute, and a 140-acre south center, located adjacent to agricultural fields and buildings. The University created a service organization, the University of Illinois Research Park, LLC, to oversee the management of the research

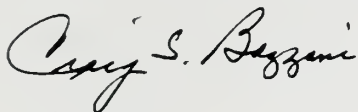
park. The University of Illinois Research Park, LLC has engaged the services of a private developer to manage and finance the Park's development. Two developer-funded facilities are under construction. In addition, the Motorola Corporation is constructing a research and development facility in the Park. All of these facilities are scheduled for completion by January 2001.

At the Chicago campus, the University is engaged in the Chicago Technology Park (CTP), a 56-acre site approximately two miles west of Downtown Chicago. The Chicago Technology Park is a collaborative effort between the University of Illinois, Rush Presbyterian St. Luke's - Medical Center and Cook County Health Services to provide attractive affordable facilities in a research and technology environment. The mission of the CTP is threefold: to enable entrepreneurial ventures to take root, to encourage young companies to develop their potential, and to create opportunities for established firms to expand. The institutional presence of the University and other medical centers enhance the marketability of the Park to prospective tenants, while the presence of more mature corporate tenants provide longer term financial stability to the underlying economics. The Illinois Medical District Commission (IMDC) manages activities in the park. To date, the Park includes a 56,000 square foot fully occupied incubator facility managed by the IMDC and three privately developed technology/research buildings. Two additional private research facilities are underway, and scheduled to open in 2001 and 2002, respectively.

Another strategic initiative that is critical to the long-term health of the University is an ongoing effort to upgrade the University's system infrastructure. The University is pursuing a systems strategy that encourages the use of best business practices, contemporary technology and available information resources to increase availability of data within the institution, shorten workflow times, and widen end-user access to transaction processing and reporting tools. All of these activities will improve the University's ability to meet its responsibilities by making our administrators better informed and better able to make timely and cost effective decisions. In the last fiscal year, the University completed several projects related to this strategic initiative. Some examples are:

- Grad Connect, which is a Web-based system implemented for graduate admissions at the Urbana- Champaign campus. Applicants can fill out and submit their application, track their progress, and make credit card payments, all via the Web. The application is also evaluated via the Web; all involved can route electronically and share information online.
- Students at the Springfield campus registered for the Spring 2000 semester using a touch-tone telephone system. Student information was easier to access and more reliable and the registrar's office didn't have to hire extra help for the usual crunch. Advisers could use Web-based applications to help their students and to enter enrollment permissions and restrictions.
- At the Chicago campus, faculty and staff are reaping the benefits of "Gemini," one of the most advanced electronic health records in the country. When the new Outpatient Care Clinic opened in 1999, paper charts were left behind. In the fall, Gemini moved into the inpatient setting, adding national groundbreaking features such as electronic Physician Order Entry with drug/drug, drug/allergy, and drug/diet interaction checking. Today, more than 1,400 clinicians use Gemini daily, opening more than 30,000 unique patient charts monthly. Secure, electronic access to an up-to-the-minute electronic health record means UIC Medical Center clinicians can provide more comprehensive medical care to our patients wherever and whenever it is needed. Over the next year, we will expand the electronic "safety net" with automated adverse drug event notification and other expert clinical rules.
- Finally, UIBuy is an electronic purchasing and accounts payable system that automates all administrative activities in the process beginning with the purchasing requisition and ending with the vendor payment. The system will leverage University-wide purchasing power to reduce costs, reduce the order/delivery time for faculty buying goods and services, speed up accounting information within the institution, and pay vendors faster. The electronic purchasing and accounts payable system currently processes more than 450 thousand transactions annually.

In short, the University is on the move toward a brighter future. We are confident that the University's sound financial base and exciting strategic initiatives will build on its strong traditions in teaching, research and public service, and ensure our success in promoting economic development.



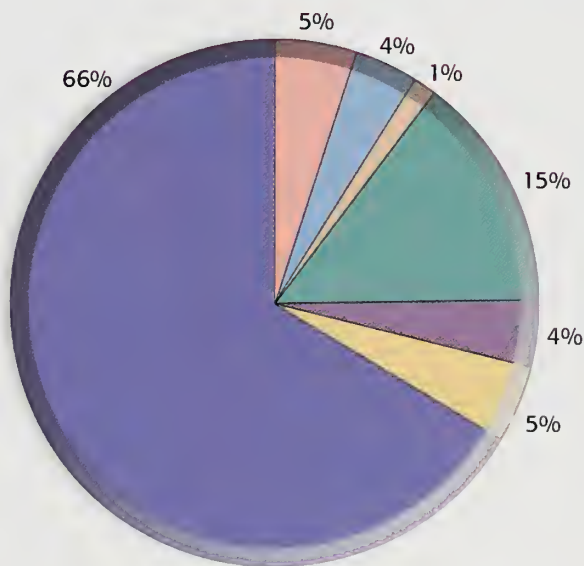
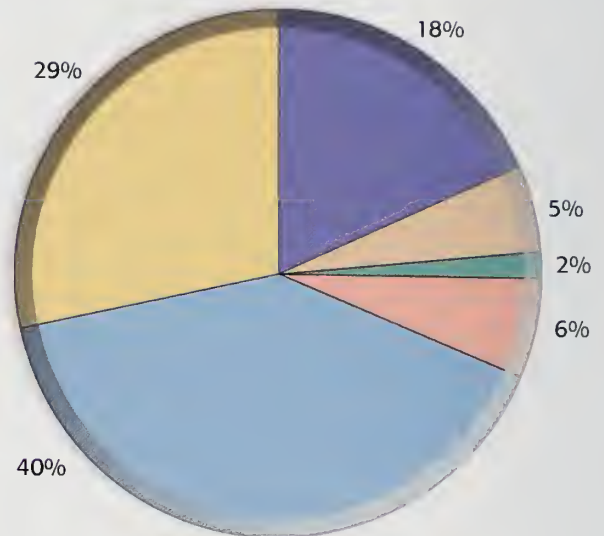
Craig S. Bazzani
September 18, 2000

Financial Position

Fiscal Year Ended June 30, 2000

Assets

	\$ millions
Cash and Investments	\$ 882.9
Receivables	\$ 249.4
Inventories and Other Currents Assets	\$ 80.1
Land and Land Improvements	\$ 295.0
Buildings	\$ 1,925.2
Equipment	\$ 1,365.7
TOTAL	\$ 4,798.3



Liabilities and Fund Balances

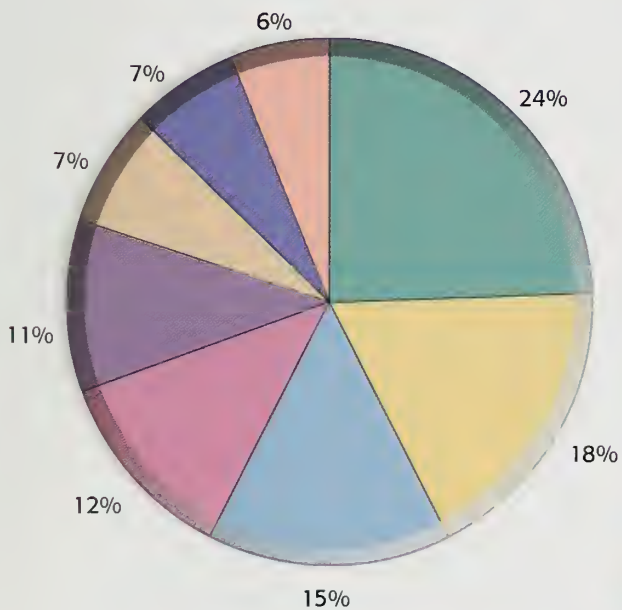
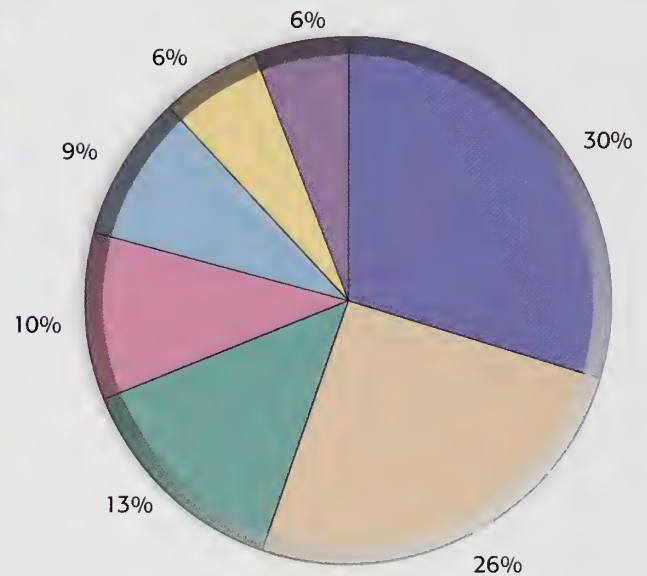
	\$ millions
Payables and Other Current Liabilities	\$ 238.1
Accrued Compensated Absences	\$ 196.1
Reserve for Self Insurance	\$ 58.0
Bonds and Leaseholds Payable	\$ 694.6
Current Fund Balances	\$ 197.5
Loan and Endowment Fund Balances	\$ 231.7
Plant Fund Balances	\$ 3,182.3
Total	\$ 4,798.3

Financial Performance

Fiscal Year Ended June 30, 2000

Sources of Current Funds

	\$ millions
State Appropriations	\$ 714.1
Gifts, Grants, and Contracts	\$ 619.4
Tuition and Fees	\$ 328.4
Hospital and Other Medical Activities	\$ 243.5
Auxiliary Enterprises and Independent Operations	\$ 216.4
Other	\$ 148.2
Departmental Activities	\$ 138.0
TOTAL	\$ 2,408.0



Uses of Current Funds

	\$ millions
Instruction	\$ 565.9
Research	\$ 415.8
Support Services	\$ 350.0
Hospital and Other Medical Activities	\$ 272.6
Public Services	\$ 245.4
Auxiliary Enterprises and Independent Operations	\$ 171.5
Scholarships and Fellowships	\$ 150.8
Plant Operations and Maintenance	\$ 142.0
TOTAL	\$ 2,314.0

Private Financial Support

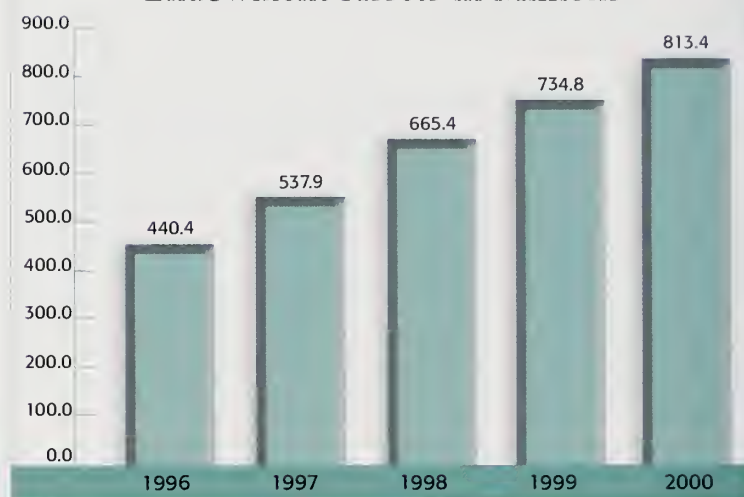
Endowments and Gifts for Current Programs

Vital Asset: ENDOWMENT

Endowed funds provide a stable financial base for the support of our programs. This support allows the University to achieve a level of excellence that continues to rank it among the best in the nation. The growth of the University's endowment over the last 5 years has been significant. The market value of these endowed funds grew from \$440.4 million to \$813.4 million.

The five-year total return for the endowment was approximately 14.8%.

Endowment Assets in Millions



Combined University and Foundation Endowment Assets

Vital Asset: PRIVATE SUPPORT

The University of Illinois was one of the first public universities to undertake a capital campaign with a goal of raising \$1 billion in private donations. The University surpassed this goal ahead of schedule. A year-end report from the University of Illinois Foundation shows Campaign Illinois gifts and pledges totaling over \$1.4 billion as of June 30, 2000.

The campaign efforts are now focused on establishing a \$1 billion endowment.

Private Giving in Millions

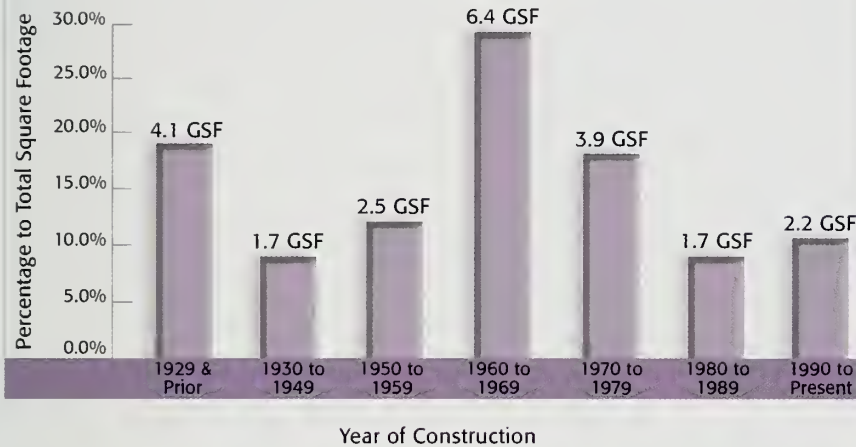


Combined University and Foundation Endowment Gifts

Physical Resources and Debt Coverage

As of June 30, 2000

Aging of University Facilities Gross Square Feet (GSF) in Millions



Physical Resources

The University's inventory of buildings includes approximately 23 million gross square feet with an original cost of approximately \$1.8 billion and a replacement cost of over \$5 billion. The institutional quality of the buildings has increased the useful life of the facilities to serve several generations of students. In recent years the University has devoted an increasing amount of funding to the renewal and renovation of facilities and to upgrade building systems to meet academic program needs of the 21st Century.

Auxiliary Facilities System Debt Coverage



Debt Coverage

The University's June 30, 2000, Auxiliary Facilities System revenue bond debt obligation is approximately \$396 million. The Auxiliary Facilities System revenue bonds are the financing vehicle for new construction and maintenance of existing student facilities. The replacement cost of these facilities is approximately \$1.1 billion. The funds available to pay debt service obligations include net system revenues as well as student tuition. For fiscal years 1996-2000, the debt coverage ratio after the payment of all operating costs was approximately 10-11 times. Simply stated, for every \$1 of debt obligation, there is approximately \$10 pledged to meet this obligation.

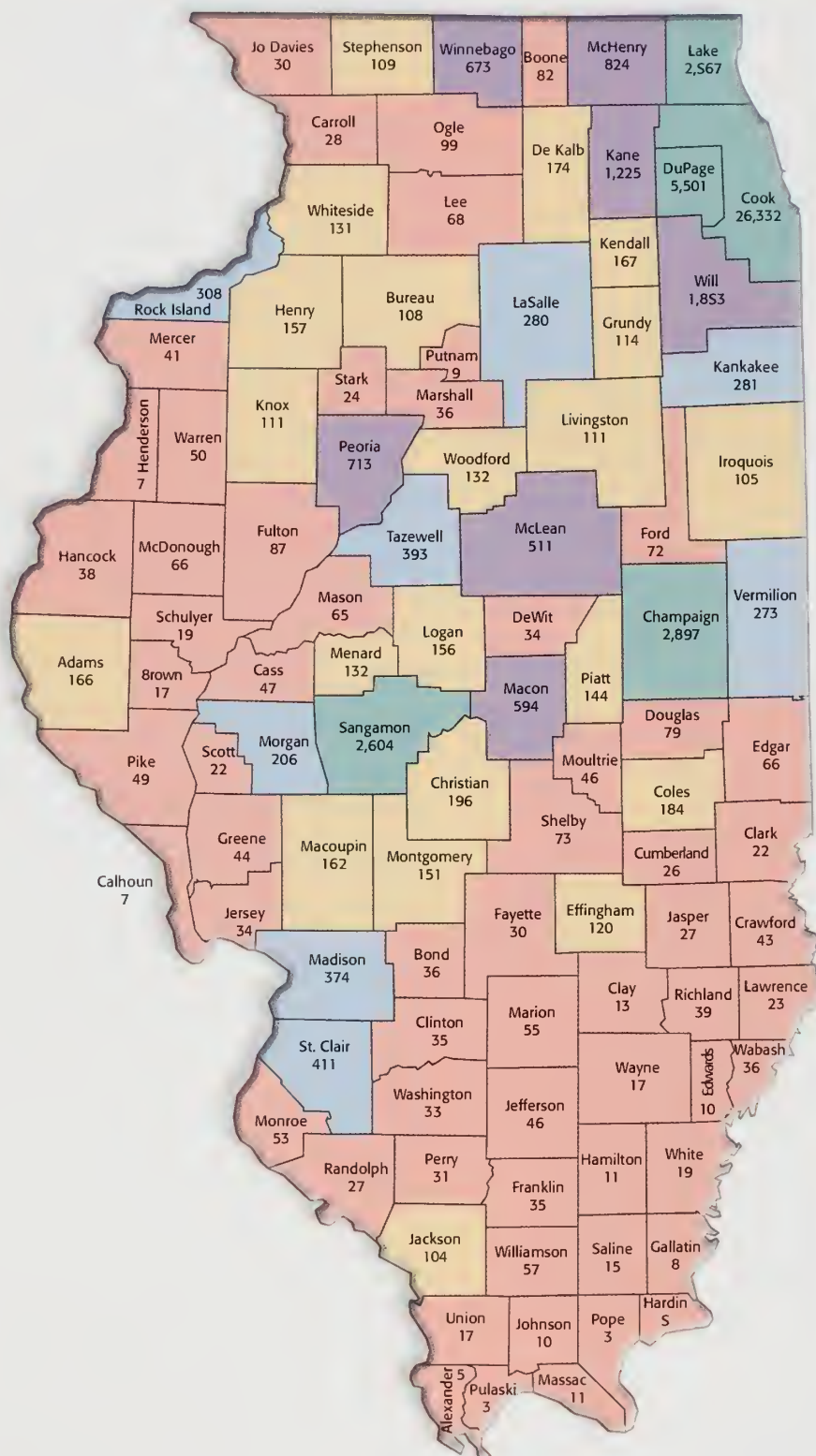
Health Services Facilities System Debt Coverage



The University's June 30, 2000, Health Services Facilities System revenue bond debt obligation is approximately \$72 million for bonds issued during 1997. University Hospital and Clinic revenues are utilized to pay debt service obligations. In addition, Medical Service Plan revenues net of bad debt expense and College of Medicine tuition revenue has been pledged. For fiscal years 1998 through 2000, the debt coverage ratio after the payment of Hospital and Clinic operating costs averaged approximately 26 times the debt service requirement. For every \$1 of debt obligation, there is approximately \$26 pledged to meet this obligation.

University of Illinois On-Campus Headcount

Enrollment by County, Fall 1999



A State University With A Global Reach

Total University enrollment for the fall semester 1999 was approximately 65,000. Illinois residents account for 83% of the total enrollment. The remaining 17% of the University's enrollment is divided between students from other states and U.S. territories, 9%, and international students, 8%.

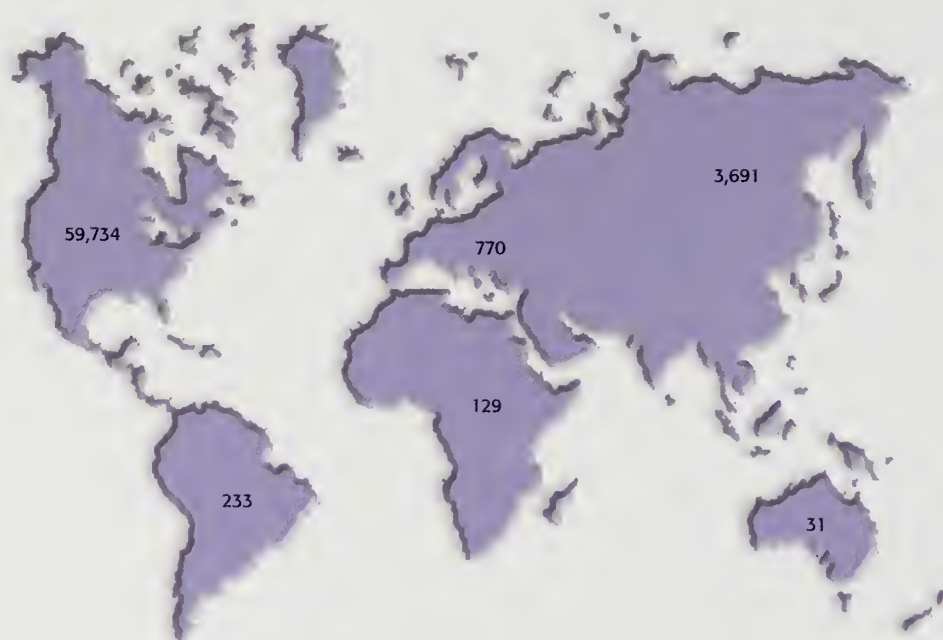
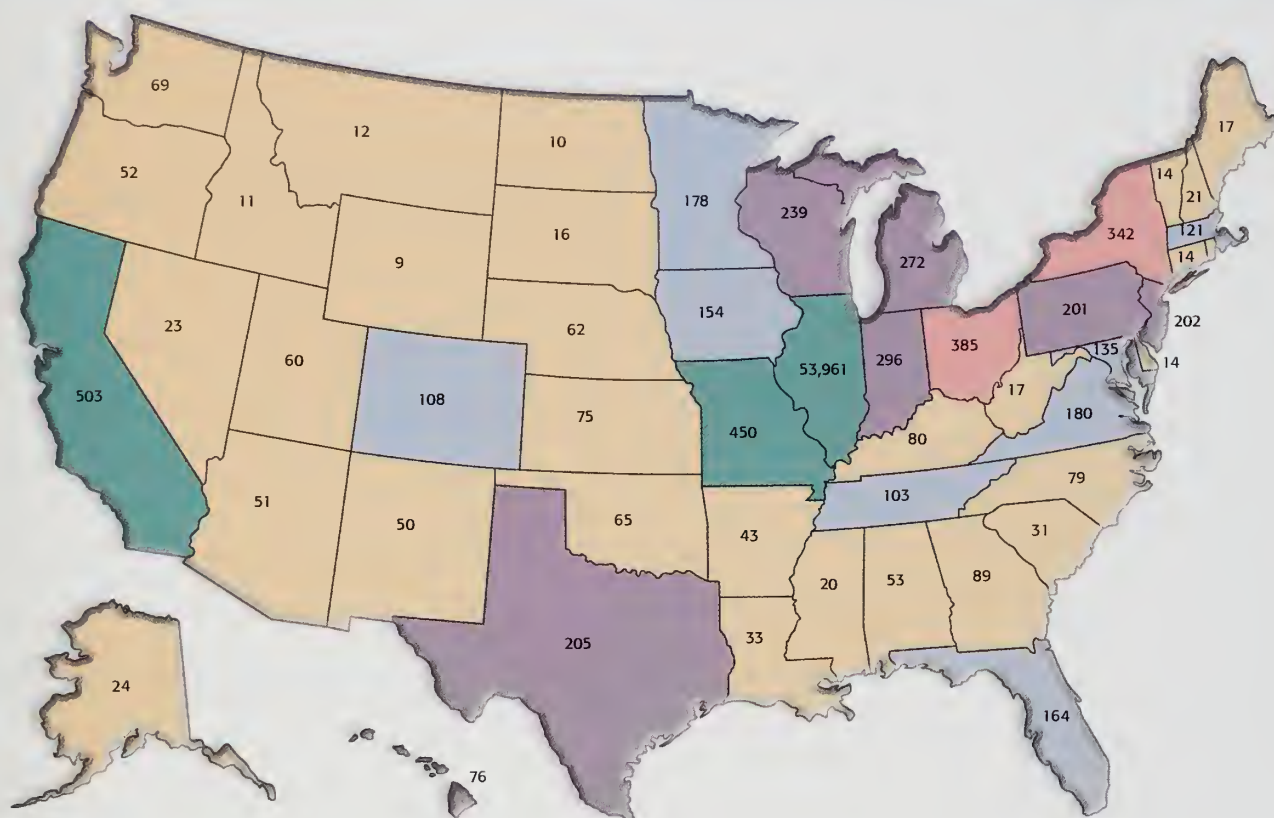
The primary focus of the University's educational program is to provide the highest quality educational experience to Illinois residents. Illinois taxpayers provide a direct subsidy to the University that represents about one-third of the University's operating budget. The enrollment of students from other states, U.S. territories and foreign countries help broaden the educational and life experience of all our students.

Illinois Students

2,000 to 27,000
500 to 2,000
200 to 500
100 to 200
0 to 100

University of Illinois On-Campus Headcount

Enrollment by State & Continent, Fall 1999



Staff and Student Data

as of October 1999

Staff Full-Time Equivalent

	Chicago	Springfield	Urbana-Champaign	University Administration	Total University
Faculty	2,274	180	2,756	14	5,224
Academic Professional	2,516	121	2,507	496	5,640
Support Staff	5,392	267	4,878	726	11,263
Graduate Assistant	2,038	117	2,366	19	4,540
TOTAL	12,220	685	12,507	1,255	26,667

Degrees Conferred FY 1999

	Chicago	Springfield	Urbana-Champaign	Total University
Bachelor	2,850	614	6,301	9,765
Master	1,447	322	2,271	4,040
Doctorate	220	0	646	866
Professional	560	0	267	827
Aviation Certificates	0	0	21	21
TOTAL	5,077	936	9,506	15,519

Student Full-Time Equivalent Enrollment¹

Fall 1999 On-Campus Enrollment				
	Chicago ²	Springfield	Urbana-Champaign	Total University
Undergraduate	14,575	1,315	27,740	43,630
Graduate and Professional	9,694	901	10,162	20,757
TOTAL	24,269	2,216	37,902	64,387

¹ Based on the Illinois Board of Higher Education definition of full-time equivalency. Undergraduate student full-time equivalent is computed as the total number of fall term semester and quarter credit hours divided by 15. Graduate and professional student full-time equivalent is computed as the total number of fall term semester and quarter credit hours divided by 12.

² Regional nursing enrollments and residents completing internships in medicine, dentistry, and pharmacy are included.

Audited
Financial
Statements



The Honorable William G. Holland
Auditor General
State of Illinois
and
The Board of Trustees
University of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying combined balance sheet of the University of Illinois (University) as of June 30, 2000, and the related combined statements of changes in fund balances (deficit) and current funds revenues, expenditures, and other changes for the year then ended. These combined financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2000, and its changes in fund balances (deficit) and the current funds revenues, expenditures, and other changes for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued a report dated September 18, 2000, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental combining financial statements for University Related Organizations are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

A stylized, handwritten-style signature of "Olive LLP" in black ink.

Decatur, Illinois
September 18, 2000

Combined Balance Sheet

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS		PLANT FUNDS
	UNRESTRICTED	RESTRICTED				
ASSETS						
Cash and cash equivalents	\$ 33,229	\$ 27,027	\$ 1,327	\$ 1,820	\$ 131,743	
Investments	180,426	138,080	7,195	152,004	188,141	
Accrued investment income	2,695	1,917	82		3,341	
Accounts receivable (net)	91,764	87,843			233	
Receivable from State of Illinois						
General Revenue Fund	3,899					
Notes receivable (net)			56,768			
Accrued interest on notes receivable			893			
Inventories and deferred charges	32,013	483				
Prepaid expense	16,810				3,670	
Due from related organizations	3,056	1,360				
Due from other funds	21,665					
Investment in plant -						
Land					76,981	
Buildings					1,828,093	
Improvements other than buildings					207,038	
Equipment					1,365,701	
Construction in progress					97,128	
Real estate and farm properties		12		10,971		
Other assets	277		46	649		
TOTAL ASSETS	\$ 385,834	\$ 256,722	\$ 66,311	\$ 165,444	\$ 3,902,069	
LIABILITIES						
Accounts payable	\$ 54,732	\$ 8,620	\$	\$	\$ 14,111	
Accrued payroll	67,810	8,359				
Accrued compensated absences	187,544	8,552				
Deferred revenue and student deposits	30,119					
Accrued interest payable	956				7,646	
Accrued self-insurance	57,978					
Bonds payable					544,111	
Leaseholds payable and other obligations	18,246				132,197	
Notes payable						
Due to related organizations	197	1,938				
Due to other funds					21,665	
Assets held for others						
TOTAL LIABILITIES	417,582	27,469			719,730	
FUND BALANCES (DEFICIT)						
Current funds-unrestricted	151,797					
Amount expected to be financed in future years	(183,545)					
Current funds-restricted		229,253				
Loan funds -						
Federal grants refundable			46,573			
University restricted			14,347			
State matching			5,391			
Endowment-restricted				44,202		
Quasi-endowment				120,465		
Term endowment						
Living trusts-restricted				128		
United States Land Grant-restricted				649		
Annuity						
Life income						
Plant funds-restricted -						
Unexpended					27,423	
Renewal and replacement					49,970	
Retirement of indebtedness					30,881	
Net investment in plant					3,074,065	
TOTAL FUND BALANCES (DEFICIT)	(31,748)	229,253	66,311	165,444	3,182,339	
TOTAL LIABILITIES & FUND BALANCES (DEFICIT)	\$ 385,834	\$ 256,722	\$ 66,311	\$ 165,444	\$ 3,902,069	

See accompanying notes to combined financial statements.

As of June 30, 2000 with Comparative Totals for 1999 (in thousands)

AGENCY FUNDS	UNIVERSITY TOTALS MEMORANDUM ONLY		UNIVERSITY RELATED ORGANIZATIONS	COMBINED TOTALS MEMORANDUM ONLY	
	2000	1999		2000	1999
\$ 6,549	\$ 201,695	\$ 109,382	\$ 6,998	\$ 208,693	\$ 117,864
15,382	681,228	574,831	708,600	1,389,828	1,216,961
	8,035	5,918	1,420	9,455	7,107
	179,840	163,889	2,549	182,389	169,510
	3,899	4,931		3,899	4,931
	56,768	56,565	1,353	58,121	58,277
	893	859		893	859
	32,496	33,860	14	32,510	33,880
	20,480	21,377	108	20,588	21,471
	4,416	1,226	197	4,613	1,754
	21,665	11,522		21,665	11,522
	76,981	69,048	2,066	79,047	71,154
	1,828,093	1,660,527	2,032	1,830,125	1,661,127
	207,038	169,777		207,038	169,777
	1,365,701	1,318,514	2,606	1,368,307	1,320,288
	97,128	133,666		97,128	133,666
	10,983	10,382	24,871	35,854	36,500
	972	832	14,301	15,273	12,563
\$ 21,931	\$ 4,798,311	\$ 4,347,106	\$ 767,115	\$ 5,565,426	\$ 5,049,211
\$	\$ 77,463	\$ 79,360	\$ 4,698	\$ 82,161	\$ 88,682
	76,169	103,815	134	76,303	103,914
	196,096	194,083	596	196,692	194,779
	30,119	27,690	943	31,062	30,052
	8,602	3,542		8,602	3,542
	57,978	53,061		57,978	53,061
	544,111	358,475		544,111	358,475
	150,443	75,169	43,295	193,738	109,754
			3,801	3,801	2,136
	2,135	569	2,686	4,821	1,772
	21,665	11,522		21,665	11,522
21,931	21,931	9,065	2	21,933	9,077
21,931	1,186,712	916,351	56,155	1,242,867	966,766
	151,797	152,684	14,775	166,572	168,712
	(183,545)	(182,633)		(183,545)	(182,633)
	229,253	201,725	40,302	269,555	246,283
	46,573	45,304		46,573	45,304
	14,347	14,015		14,347	14,015
	5,391	5,023		5,391	5,023
	44,202	43,186	433,458	477,660	434,546
	120,465	107,738	144,699	265,164	237,677
			1,930	1,930	1,679
	128	128		128	128
	649	649		649	649
			45,296	45,296	24,391
			26,401	26,401	40,776
	27,423	6,254		27,423	6,254
	49,970	60,935		49,970	60,935
	30,881	24,511		30,881	24,511
	3,074,065	2,951,236	4,099	3,078,164	2,954,195
	3,611,599	3,430,755	710,960	4,322,559	4,082,445
\$ 21,931	\$ 4,798,311	\$ 4,347,106	\$ 767,115	\$ 5,565,426	\$ 5,049,211

Combined Statement of Changes in Fund Balances (Deficit)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
	UNRESTRICTED	RESTRICTED		
REVENUES AND OTHER ADDITIONS				
Unrestricted current funds revenues	\$ 1,971,151	\$	\$	\$
Federal appropriations		17,929		
Medical service plan		107,766		
Restricted gifts, grants and contracts -				
Private		100,303		614
Federal		384,685	770	
State of Illinois		94,763		
Investment income-restricted		17,358	365	
Net increase in fair value of investments-restricted		1,036	40	19,883
State appropriations-restricted				
Interest and service charges on student loans			1,451	
Internal financing repayments				
Additions to plant facilities -				
From current funds expenditures				
From plant funds expenditures				
From other State of Illinois agencies, principally Capital Development Board				
Acquired through capital leases				
Bond proceeds				
Retirement of indebtedness -				
Bond principal payments				
Increase in equity in capitalized leased assets -				
Adjustment in equity in capitalized leased assets				
Lease principal payments				
Other			203	
TOTAL REVENUES AND OTHER ADDITIONS	1,971,151	723,840	2,829	20,497
EXPENDITURES AND OTHER DEDUCTIONS				
Educational and general expenditures	1,434,948	652,754		
Auxiliary enterprises expenditures	164,785	3		
Hospital and other medical activities expenditures	272,590			
Independent operations expenditures	6,744			
Indirect costs recovered		92,840		
Educational and administrative allowances recovered		2,082		
Refunds to grantors		4,549	2	
Cancellation of loans under terms of gifts and grants			451	
Increase in allowance for uncollectible notes			6	
Increase in leaseholds payable				
Expended for plant facilities -				
Capitalized expenditures -				
Land				
Buildings				
Improvements other than buildings				
Equipment				
Noncapitalized expenditures				
Retirement of indebtedness				
Interest on indebtedness				
Bonds issued				
Capital appreciation on bonds payable				
Trade-ins, disposals and property adjustments				17
Payments to beneficiaries of life income trusts				
Amortization of prepaid expense				
Other		39	2	13
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	\$ 1,879,067	\$ 752,267	\$ 461	\$ 30

Year Ended June 30, 2000 with Comparative Totals for 1999 (in thousands)

PLANT FUNDS	UNIVERSITY TOTALS MEMORANDUM ONLY		UNIVERSITY RELATED ORGANIZATIONS	COMBINED TOTALS MEMORANDUM ONLY	
	2000	1999		2000	1999
\$	\$ 1,971,151	\$ 1,862,118	\$ 26,502	\$ 1,997,653	\$ 1,888,515
	17,929	17,870		17,929	17,870
	107,766	92,360		107,766	92,360
7,901	108,818	96,103	100,531	209,349	179,254
1,280	386,735	367,470		386,735	367,470
	94,763	77,028		94,763	77,028
9,764	27,487	25,490	9,818	37,305	34,960
651	21,610	7,237	29,209	50,819	48,780
4,956	4,956	1,211		4,956	1,211
	1,451	1,525		1,451	1,525
3,351	3,351	7,194		3,351	7,194
105,877	105,877	123,351		105,877	123,351
82,926	82,926	75,948		82,926	75,948
27,424	27,424	14,152		27,424	14,152
73,451	73,451	668		73,451	668
193,154	193,154			193,154	
18,985	18,985	17,945		18,985	17,945
59	59	240		59	240
4,854	4,854	7,242		4,854	7,242
6,035	6,238	5,955	2,652	8,890	7,646
540,668	3,258,985	2,801,107	168,712	3,427,697	2,963,359
	2,087,702	1,973,147	31,337	2,119,039	2,001,466
	164,788	159,063		164,788	159,063
	272,590	258,868		272,590	258,868
	6,744	5,368		6,744	5,368
	92,840	86,650		92,840	86,650
	2,082	2,366		2,082	2,366
	4,551	2,938		4,551	2,938
	451	246		451	246
	6	189		6	189
79,608	79,608	668		79,608	668
7,561	7,561	1,168		7,561	1,168
57,569	57,569	61,575		57,569	61,575
5,824	5,824	3,258		5,824	3,258
11,972	11,972	9,947		11,972	9,947
25,451	25,451	23,997		25,451	23,997
31,780	31,780	34,851		31,780	34,851
23,509	23,509	15,248	218	23,727	15,381
193,154	193,154			193,154	
12,362	12,362	12,091		12,362	12,091
69,957	69,957	95,911		69,957	95,911
	17	15		17	15
200	200	109		200	109
1,016	1,070	11	4,240	5,310	3,360
\$ 519,963	\$ 3,151,788	\$ 2,747,684	\$ 35,795	\$ 3,187,583	\$ 2,779,485

Combined Statement of Changes in Fund Balances (Deficit)

	CURRENT FUNDS		LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS
	UNRESTRICTED	RESTRICTED		
TRANSFERS-ADDITIONS (DEDUCTIONS)				
Mandatory -				
Renewal and replacement	\$ (5,198)	\$	\$	\$
Retirement of indebtedness	(40,499)	(1,943)		
Student loan matching	(162)		162	
Non-mandatory -				
Renewal and replacement	(8,549)	2		
University related organizations	(5,092)	70,428	341	
Other-net	(34,383)	(12,532)	(902)	(6,724)
NET TRANSFERS	(93,883)	55,955	(399)	(6,724)
CHANGE IN FUND BALANCES (DEFICIT)	(1,799)	27,528	1,969	13,743
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	(29,949)	201,725	64,342	151,701
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ (31,748)	\$ 229,253	\$ 66,311	\$ 165,444

See accompanying notes to combined financial statements.

Year Ended June 30, 2000 with Comparative Totals for 1999 (in thousands) (Cont.)

PLANT FUNDS	UNIVERSITY TOTALS MEMORANDUM ONLY		UNIVERSITY RELATED ORGANIZATIONS	COMBINED TOTALS MEMORANDUM ONLY	
	2000	1999		2000	1999
\$ 5,198	\$	\$	\$	\$	
42,442					
8,547					
7,970	73,647	64,882	(73,647)		
54,541					
118,698	73,647	64,882	(73,647)		
139,403	180,844	118,305	59,270	240,114	183,874
3,042,936	3,430,755	3,312,450	651,690	4,082,445	3,898,571
\$ 3,182,339	\$ 3,611,599	\$ 3,430,755	\$ 710,960	\$ 4,322,559	\$ 4,082,445

Combined Statement of Current Funds Revenues, Expenditures, and Other Changes

	UNRESTRICTED		
	STATE APPROPRIATED AND STUDENT TUITION	OTHER	TOTAL
REVENUES			
Educational and general -			
Student tuition and fees	\$ 328,415	\$	\$ 328,415
State appropriations	664,818		664,818
Federal appropriations			
Federal grants and contracts		80,847	80,847
State of Illinois grants and contracts		3,572	3,572
Private gifts, grants and contracts		10,949	10,949
Endowment and other investment income	32		32
Net increase (decrease) in fair value of investments	630	(5,424)	(4,794)
Educational activities		138,025	138,025
Other sources	8,965	13,330	22,295
Payments on behalf of the University	217,868		217,868
TOTAL EDUCATIONAL AND GENERAL REVENUES	1,220,728	241,299	1,462,027
Auxiliary enterprises		208,438	208,438
Hospital and other medical activities	48,719	243,480	292,199
Independent operations	555	7,932	8,487
TOTAL REVENUES	1,270,002	701,149	1,971,151
EXPENDITURES AND MANDATORY TRANSFERS			
Educational and general -			
Instruction	408,870	16,080	424,950
Research	59,677	39,379	99,056
Public service	42,736	78,526	121,262
Academic support	109,526	32,481	142,007
Student services	33,509	27,386	60,895
Institutional support	101,342	17,427	118,769
Operation and maintenance of plant	135,123	5,842	140,965
Scholarships and fellowships	108,095	1,081	109,176
Payments on behalf of the University	217,868		217,868
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	1,216,746	218,202	1,434,948
MANDATORY TRANSFERS FOR -			
Retirement of indebtedness	415	12,083	12,498
Student loan matching grant	51	111	162
TOTAL EDUCATIONAL AND GENERAL	1,217,212	230,396	1,447,608
AUXILIARY ENTERPRISES			
Expenditures		164,785	164,785
Mandatory transfers for -			
Renewal and replacement		5,198	5,198
Retirement of indebtedness		23,618	23,618
TOTAL AUXILIARY ENTERPRISES		193,601	193,601
HOSPITAL AND OTHER MEDICAL ACTIVITIES			
Expenditures	48,719	223,871	272,590
Mandatory transfers for retirement of indebtedness		3,670	3,670
TOTAL HOSPITAL AND OTHER MEDICAL ACTIVITIES	48,719	227,541	276,260
INDEPENDENT OPERATIONS			
Expenditures	555	6,189	6,744
Mandatory transfers for retirement of indebtedness		713	713
TOTAL INDEPENDENT OPERATIONS	555	6,902	7,457
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	\$ 1,266,486	\$ 658,440	\$ 1,924,926

Year Ended June 30, 2000 with Comparative Totals for 1999 (in thousands)

RESTRICTED	UNIVERSITY TOTALS MEMORANDUM ONLY		UNIVERSITY RELATED ORGANIZATIONS	COMBINED TOTALS MEMORANDUM ONLY	
	2000	1999		2000	1999
\$	\$	\$	\$	\$	\$
	328,415	310,066		328,415	310,066
	664,818	636,891		664,818	636,891
18,210	18,210	17,914		18,210	17,914
299,755	380,602	367,549		380,602	367,549
81,058	84,630	74,844		84,630	74,844
143,245	154,194	145,942	58,879	213,073	197,471
4,776	4,808	5,284	11,306	16,114	16,255
	(4,794)	1,711	91	(4,703)	1,686
	138,025	130,416		138,025	130,416
107,656	129,951	114,741	26,114	156,065	140,497
	217,868	199,625		217,868	199,625
654,700	2,116,727	2,004,983	96,390	2,213,117	2,093,214
	208,438	199,076		208,438	199,076
	292,199	267,090		292,199	267,090
	8,487	6,697		8,487	6,697
654,700	2,625,851	2,477,846	96,390	2,722,241	2,566,077
140,942	565,892	546,070		565,892	546,070
316,756	415,812	387,182		415,812	387,182
124,120	245,382	236,857		245,382	236,857
23,032	165,039	148,780		165,039	148,780
2,449	63,344	58,207		63,344	58,207
2,789	121,558	111,481	31,266	152,824	139,737
1,046	142,011	137,773		142,011	137,773
41,620	150,796	147,172	71	150,867	147,235
	217,868	199,625		217,868	199,625
652,754	2,087,702	1,973,147	31,337	2,119,039	2,001,466
1,943	14,441	17,508	2	14,443	17,515
	162	218		162	218
654,697	2,102,305	1,990,873	31,339	2,133,644	2,019,199
3	164,788	159,063		164,788	159,063
	5,198	5,374		5,198	5,374
	23,618	18,172		23,618	18,172
3	193,604	182,609		193,604	182,609
	272,590	258,868		272,590	258,868
	3,670	1,016		3,670	1,016
	276,260	259,884		276,260	259,884
	6,744	5,368		6,744	5,368
	713	468		713	468
	7,457	5,836		7,457	5,836
\$ 654,700	\$ 2,579,626	\$ 2,439,202	\$ 31,339	\$ 2,610,965	\$ 2,467,528

Combined Statement of Current Funds Revenues, Expenditures, and Other Changes

	UNRESTRICTED		
	STATE APPROPRIATED AND STUDENT TUITION	OTHER	TOTAL
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)			
Deficiency of restricted receipts compared to restricted expenditures	\$	\$	\$
Refunds to grantors			
Inter-fund transfers -			
Current funds		8,598	8,598
Loan funds		1,022	1,022
Endowment and similar funds		(233)	(233)
Annuity and life income			
Plant funds -			
Unexpended		(43,770)	(43,770)
Renewal and replacement		(8,549)	(8,549)
University related organizations		(5,092)	(5,092)
NET OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)		(48,024)	(48,024)
CHANGE IN FUND BALANCES (DEFICIT)	\$ 3,516	\$ (5,315)	\$ (1,799)

See accompanying notes to combined financial statements.

Year Ended June 30, 2000 with Comparative Totals for 1999 (in thousands) (Cont.)

RESTRICTED	UNIVERSITY TOTALS MEMORANDUM ONLY		UNIVERSITY RELATED ORGANIZATIONS	COMBINED TOTALS MEMORANDUM ONLY	
	2000	1999		2000	1999
\$ (25,821)	\$ (25,821)	\$ (44,376)	\$	\$ (25,821)	\$ (44,376)
(4,549)	(4,549)	(2,925)		(4,549)	(2,925)
(8,598)					
(120)	902	755		902	755
(169)	(402)	(2,778)	3,251	2,849	3,900
			146	146	65
(3,645)	(47,415)	(17,172)	(310)	(47,725)	(17,436)
2	(8,547)	(11,858)		(8,547)	(11,858)
70,428	65,336	59,638	(73,647)	(8,311)	(5,244)
27,528	(20,496)	(18,716)	(70,560)	(91,056)	(77,119)
\$ 27,528	\$ 25,729	\$ 19,928	\$ (5,509)	\$ 20,220	\$ 21,430

Notes to Combined Financial Statements

The Financial Reporting Entity And Component Unit Disclosures

The University of Illinois (University), a federal land grant institution and an agency of the State of Illinois, conducts education, research and public service and related activities principally at its three campuses in Urbana-Champaign, Springfield and Chicago which include the University of Illinois Hospital (Hospital) and other health care facilities. The governing body of the University is The Board of Trustees of the University of Illinois (Board).

As required by generally accepted accounting principles, these financial statements present the financial position and financial activities of the University (the primary unit) and its component units as well as certain activities and expenditures funded by other State agencies on behalf of the University or its employees. The component units discussed below are included in the University's financial reporting entity (Entity) because of the significance of their financial relationship with the University.

The University Related Organizations' column in the combined financial statements includes the financial data of the University's component units. The University of Illinois Foundation (Foundation), the University of Illinois Alumni Association (Alumni Association), the University of Illinois HMO (UIHMO) and Wolcott, Wood and Taylor, Inc. (WWT) are reported in a separate column to emphasize that they are Illinois non-profit organizations legally separate from the University. These entities are University related organizations as defined under *University Guidelines* adopted by the State of Illinois Legislative Audit Commission.

The Foundation was formed for the purpose of providing fund raising and other assistance to the University in order to attract private gifts to support the University's instructional, research and public service activities. In this capacity, the Foundation solicits, receives, holds and administers gifts for the benefit of the University. Complete financial statements for the Foundation may be obtained by writing the Director of Business and Administration, 414C Harker Hall, 1305 W. Green Street, Urbana, IL 61801.

The Alumni Association was formed to promote the general welfare of the University and to encourage and stimulate interest among students, former students and others in the University's programs. In this capacity, the Alumni Association offers memberships in the Alumni Association to former students, conducts various activities for students and alumni, and publishes periodicals for the benefit of alumni. Complete financial statements for the

Alumni Association may be obtained by writing the Director of Administration and Business Affairs, 227 Illini Union, 1401 W. Green Street, Urbana, IL 61801.

The UIHMO was formed as a replacement for the former University of Illinois Health Maintenance Organization Plan Trust to provide health insurance to students at the Chicago campus. In addition, it enables the University to provide health insurance programs to the medically indigent. The financial statements included for the UIHMO are as of December 31, 1999. Complete financial statements for the UIHMO may be obtained by writing the Vice President for Finance, Suite 205, 2023 West Ogden Avenue, Chicago, IL 60612-3741.

WWT was formed to provide practice management support services and operate as a billing/collection entity for health care activities under the laws of the State of Illinois. Complete financial information may be obtained by writing the President and CEO, 835 S. Wolcott St., Chicago, IL 60612.

Prairieland Energy, Inc., (Prairieland), a for profit, wholly-owned subsidiary, was formed for the purpose of providing support for the University through delivery of comprehensive economical utility services to all campuses of the University. Activity for the current fiscal year, which was minimal, has been incorporated in the Entity's financial statements. Prairieland is a University related organization as defined under *University Guidelines* adopted by the State of Illinois Legislative Audit Commission.

The University is a component unit of the State of Illinois for financial reporting purposes. The financial balances and activities included in these combined financial statements are, therefore, also included in the State's comprehensive annual financial report.

Summary Of Significant Accounting Policies

Basis of Presentation

The combined financial statements are prepared on the accrual basis of accounting applicable to public colleges and universities.

The accounts of the Entity are maintained in accordance with the principles of fund accounting. Under fund accounting, resources are classified for accounting and reporting purposes into funds according to specified activities or objectives. Separate accounts are maintained for each fund; however, funds with similar characteristics are combined into fund groups in the accompanying combined financial statements.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds. Restricted resources may only be used for the purposes established by the source of such funds.

The Combined Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of the Current Funds. It does not purport to present the overall results of operations as would a statement of revenues and expenses. In the accompanying combined financial statements, the use of Current Funds to acquire or finance assets of the Plant Funds is accounted for as (a) expenditures in the case of the normal replacement of equipment and ordinary repairs and maintenance and (b) mandatory and other transfers when providing for debt service, repair and replacement reserves, and all other cases.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made in 1999 comparative totals to conform to the 2000 presentation.

Cash and Cash Equivalents

Cash and cash equivalents include bank accounts and investments with original maturities of ninety days or less at the time of purchase. Such investments consist primarily of U.S. Treasury bills, commercial paper, and money market funds. Total cash and cash equivalents of the University included a net cash overdraft book balance of \$22,743,000 at June 30, 2000. The total bank account balances at June 30, 2000, of the University, the Foundation, the Alumni Association and WWT and the bank account balance of the UIHMO at December 31, 1999, aggregated \$5,872,000, \$2,749,000, \$817,000, \$439,000, and \$2,993,000, respectively, of which \$5,872,000, \$2,711,000, \$817,000, \$439,000, and \$2,993,000, respectively, was covered by federal depository insurance or by collateral held by an agent in the Entity's name; and \$38,000 was uninsured and uncollateralized for the Foundation.

Investments

Investments in real estate and farm properties and those held by Agency Funds, are carried at cost, or when donated, at the fair market value at the date of donation. All other investments are carried at their fair market value, as determined by quoted market price. Investment income and the change in fair value of investments is recognized in the fund which owned such investments, except for income derived from investments of the Endowment and Similar Funds which is recognized in the funds to which the income is restricted.

Illinois Statutes and Board policy authorize the University to invest in obligations of the U. S. Treasury, agencies, and instrumentalities (U.S. Government securities); bank and savings and loan time deposits; corporate bonds, stock and commercial paper; repurchase agreements; and mutual funds. Illinois Statutes require that securities underlying repurchase agreements must have a market value of 105% of the cost of the repurchase agreement. At June 30, 2000, the University had repurchase agreements of \$93,109,000. The market value of securities underlying these repurchase agreements was \$99,724,000 at June 30, 2000.

Nearly all of the Entity's investments are managed by external professional investment managers. Many of these investments are made through commingled investment vehicles such as common trust funds and mutual funds. A number of the investment managers utilize derivatives in the execution of their investment strategies. In general, managers utilize derivatives to reduce or eliminate undesirable risks, to increase portfolio liquidity and flexibility or to increase investment return within the level of risk defined in the manager's investment guidelines. Examples of authorized derivative transactions would be the hedging of foreign currency exposure through the use of currency forwards, owning mortgage securities with embedded prepayment options or utilizing treasury futures to change the duration of a fixed income portfolio. The Entity did not engage in any significant derivative transactions during the year ended June 30, 2000.

The University increases its investment income by lending the University's securities, through its custodian, to independent third parties. Such loans are secured by collateral consisting of cash, cash equivalents or U.S. Government securities in an amount approximating 102% of the fair value of the securities loaned. As of June 30, 2000, approximately \$85,043,000 of the University's investments reported on the Combined Balance Sheet were on loan, secured by collateral with a fair value of approximately \$86,701,000.

Investments, including cash equivalents but excluding real estate and farm properties, have been categorized to give an indication of the level of credit risk assumed by the University, Foundation or Alumni Association at June 30, 2000. Category 1 includes investments that are insured or registered or for which the securities are held by the Entity or an agent in its name. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the Entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent but not in the Entity's name. Mutual funds and money market investments are not required to be categorized. Investments at the WWT as of June 30, 2000 and at the UIHMO as of December 31, 1999 were not significant.

The following details the Entity's investments at June 30, 2000:

University (in thousands)

	2000			Carrying Amount
	Category			
	1	2	3	
Certificates of Deposit	\$ 4,755	\$	\$	\$ 4,755
U.S. Gov. Securities	78,816	75,646		154,462
Repurchase Agreements		93,109		93,109
Commercial Paper	40,874			40,874
Corporate Bonds	207,462	8,203		215,665
Corporate Stock	65	458		523
Total	\$ 331,972	\$ 177,416	\$	509,388
Mutual Funds				
Bonds				128,880
Stocks				172,414
Money Market				75,429
Real Estate				2,433
Illinois Fund				17,122
TOTAL INVESTMENTS				\$ 905,666

Foundation (in thousands)

	2000			Carrying Amount
	Category			
	1	2	3	
U.S. Gov. Securities	\$ 27,498	\$ 4,285	\$	\$ 31,783
Int'l Gov. Bonds	3,316			3,316
Municipal Bonds		1,511		1,511
Corp. Bonds/Notes	33,556	5,044		38,600
Preferred Stock	1,234	10		1,244
Corporate Stock	152,810	5,300		158,110
Total	<u>\$ 218,414</u>	<u>\$ 16,150</u>	<u>\$</u>	234,564
Real Estate				
Trusts/Partnerships				40,697
Equity Index Funds				159,072
Int'l Equity Funds				105,440
Other Mutual Funds				150,650
Other				4,568
TOTAL INVESTMENTS				<u>\$ 694,991</u>

Alumni Association (in thousands)

	2000			Carrying Amount
	Category			
	1	2	3	
U.S. Gov. Securities	\$ 3,083	\$	\$	\$ 3,083
Corp. Bonds/Notes	830			830
Corporate Stock	9,395			9,395
Total	<u>\$ 13,308</u>	<u>\$</u>	<u>\$</u>	<u>13,308</u>
Real Estate				
Partnerships				301
TOTAL INVESTMENTS				<u>\$ 13,609</u>

Allowance for Uncollectibles

The University provides allowances for uncollectible accounts and notes receivable based upon management's best estimate of uncollectible accounts and notes at the balance sheet date, considering type, age, collection history of receivables, and any other factors as considered appropriate. Accounts receivable are reported net of allowances of \$178,162,000 at June 30, 2000. Notes receivable are reported net of allowances of \$1,957,000 at June 30, 2000.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method.

Student Financial Assistance

During the year ended June 30, 2000, the Urbana-Champaign and Chicago campuses participated in the U.S. Department of Education Direct Student Loan Program. The Urbana-Champaign campus awarded approximately \$84.7 million for the year ended June 30, 2000. The Chicago campus awarded approximately \$70.6 million for the year ended June 30, 2000. The University classified this loan program as Noncash Federal Awards in the Office of Management and Budget (OMB) Circular A-133 Schedule of Expenditure of Federal Awards. Accordingly, no revenue or expenditures are included in the combined financial statements of the Entity.

Investment in Plant

Investment in plant is carried at cost or, when donated, at the fair market value at the date of donation. In accordance with generally accepted accounting principles for public colleges and universities, the Entity does not record depreciation on these assets.

Capitalized additions to the University's investment in plant, \$23,212,000 for fiscal year 2000, financed by the State of Illinois Capital Development Board (CDB) are recorded by the University as the funds are expended by the CDB. All expenditures of the CDB, including noncapitalized expenditures, for University related repair and maintenance projects are recorded as expenditures from and additions to the University's Plant Funds.

Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Net interest of \$1,837,000 was capitalized during the year ended June 30, 2000.

Accrued Self-Insurance and Loss Contingency

The University's accrued self-insurance liability of \$57,978,000 at June 30, 2000 covers hospital patient liability; hospital and medical professional liability; estimated general and contract liability; and workers' compensation liability related to employees paid from local funds. The accrued self-insurance liability was discounted at a rate of 7% at June 30, 2000. Amounts increasing the accrued

self-insurance liability are charged to Current Funds expenditures based upon estimates made by actuaries and the University's risk management division. The workers' compensation self-insurance liability of \$7,070,000 at June 30, 2000 related to employees who are paid from State appropriations is included in the University's accounts payable. These claims will be paid from State appropriations in the year in which the claims are finalized, rather than from current unrestricted funds at June 30, 2000.

Accrued self-insurance includes \$32,195,000 at June 30, 2000 for the most probable and reasonably estimable ultimate cost of uninsured medical malpractice liabilities. Ultimate cost consists of amounts estimated by the University's risk management division and independent actuaries for asserted claims, unasserted claims arising from reported incidents, expected litigation expenses, and amounts determined by actuaries using relevant industry data and hospital specific data to cover projected losses for claims incurred but not reported. Because the amounts accrued are estimates, the aggregate claims actually incurred could differ significantly from the accrued self-insurance liability at June 30, 2000. Changes in these estimates will be reflected in the Statement of Current Funds Revenues, Expenditures, and Other Changes in the period when additional information is available.

The University has contracted with several commercial carriers to provide varying levels and upper limits of excess indemnity coverage. These coverages have been considered in determining the required accrued self-insurance liability.

Changes in Accrued Self-Insurance
(in thousands)

	2000	1999
Accrued self-insurance liability at beginning of year	\$ 53,061	\$ 54,070
Current year claims and changes in estimates	22,037	17,416
Claim payments and other costs	(17,120)	(18,425)
Accrued self-insurance liability at end of year	\$ 57,978	\$ 53,061

Revenue Recognition

Appropriations made from the State of Illinois General Revenue and Education Assistance Funds for the benefit of the University are recognized as revenues to the extent expended, limited to available appropriations.

Tuition and fees, except for the Summer Session, are recognized as revenues as they are assessed. The portion of Summer Session tuition and fees applicable to the following fiscal year is deferred. The value of tuition and fee exemptions awarded to graduate assistants, staff members and others is included in both revenues from student tuition and fees and in expenditures for scholarships and fellowships. These exemptions amounted to \$98,076,000 in 2000.

Current Restricted Funds which are received or receivable from external sources are recognized as revenues to the extent of related expenditures on the accrual basis

and as additions or deductions to fund balances to the extent of an excess or deficiency, respectively, of restricted receipts compared to restricted expenditures.

In accordance with GASB No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the University reported payments made by the State on behalf of the University for contributions to State group insurance and retirement programs for University employees of \$217,868,000 for the year ended June 30, 2000. These costs are reflected as both revenues and expenditures and are reported in Payments on behalf of the University.

With respect to the Hospital, net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Approximately 83% of the Hospital's net patient service revenues were derived from Medicare, Medicaid, Blue Cross and managed care programs for the year ended June 30, 2000. Payments under these programs are based on established program rates or costs, as defined, of rendering services to program beneficiaries. The Hospital provides contractual allowances on a current basis for the differences between charges for services rendered and the expected payments under these programs.

Expenditure Recognition

Employment contracts for certain academic personnel provide for twelve monthly salary payments, although the contracted services are rendered during a nine month period. The liability for those employees who have completed their contracted services, but have not yet received final payment, was approximately \$35,815,000 at June 30, 2000 and is recorded in the accompanying combined financial statements. This amount will be paid from amounts specifically included in State of Illinois General Revenue Fund appropriations to the University for fiscal year 2001 rather than from the Current Unrestricted Funds available at June 30, 2000.

Substantially all employees participate in group health insurance plans administered by the State of Illinois. The employer contributions to these plans for University employees paid by State appropriations and auxiliary enterprises are paid by the State on behalf of the University. The on-behalf payments are \$127,262,000 for 2000, and are reflected in Payments on behalf of the University. The employer contributions to these plans on behalf of employees paid from other University-held funds are paid by the University.

Accrued compensated absences for University personnel are charged to Current Funds based on earned but unused vacation and sick leave days including the

University's share of social security and medicare taxes. At June 30, 2000, the University estimates that \$140,660,000 of the accrued compensated absences liability will be paid out of State of Illinois General Revenue Fund appropriations to the University in years subsequent to June 30, 2000, rather than from Current Funds available at June 30, 2000.

Total Columns of Statements

Total columns on the statements are captioned "Memorandum Only" to indicate that data are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. The statements are not intended to represent consolidated statements as certain transactions between funds have not been eliminated.

Adoption of New Governmental Accounting Standard (GASB No. 33)

Effective for the year ending June 30, 2001, the University will adopt GASB No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources such as grants and private donations. The Entity has not yet determined the impact of the statement adoption on the financial statements.

Funds Held In Trust By Others

The University and Foundation are income beneficiaries of several irrevocable trusts which are held and administered by outside fiscal agents. The University and Foundation have no control over these funds as to either investment decisions or income distributions, thus the principal is not recorded in the accompanying combined financial statements. The fair value of these funds at June 30, 2000 and the amount of income received from these trusts during the year then ended were as follows:

Funds Held in Trust by Others (in thousands)

	University	Foundation
Market value of funds held in trust by others	\$ 18,473	\$ 22,549
Income received from funds held in trust by others	\$ 682	\$ 653

Bonds and Notes Payable

On January 12, 2000, the University of Illinois Auxiliary Facilities System (System) Revenue Bond, Series 1999A and Series 1999B were issued in the principal amounts of \$110,639,000 and \$6,000,000, respectively. Proceeds from the sale of the Series 1999A and Series 1999B Bonds are being used to finance various additions, improvements and renovations to the System, to pay debt service during

construction, and to pay all costs incident to the issuance of the Series 1999A and Series 1999B Bonds.

On January 12, 2000, Series 1999 Bonds were issued and on February 17, 2000, Series 2000 Bonds were issued to provide a portion of the funding for the University of Illinois UIC South Campus Development Project (Project), an integrated academic, residential, recreational, and commercial development. Series 1999 and Series 2000 Bonds are payable from revenue derived from the defined tax increment financing district, student tuition and fees, and funds on deposit in the Bond and Interest Sinking Fund. In addition, the Series 2000 Bonds are payable from the sales proceeds derived from the sale of certain land in the Project.

At June 30, 2000, bonds payable consist of University of Illinois Auxiliary Facilities System, Revenue Bonds, Series 1979 (formerly Sangamon State Housing Bonds), Series 1985, Series 1986, Series 1991, Series 1993, Series 1996, Series 1999A, and Series 1999B; University of Illinois Revenue Bonds, Series 1985A related to the Construction Engineering Research Laboratory (CERL); University of Illinois Willard Airport (Airport) Project Revenue Bonds, Series 1997; University of Illinois Health Services Facilities System (Health System) Revenue Bonds, Series 1997A and Series 1997B; and University of Illinois UIC South Campus Development Project (UIC South Campus) Revenue Bonds, Series 1999 and Series 2000, as seen in the table.

Bonds Payable (in thousands)

Series	Yield on Outstanding Debt	Maturity Dates	Outstanding at June 30, 2000
AUXILIARY SYSTEM -			
1979	3%	2000-2018	\$ 1,195
1985	5%	2000-2009	3,230
1986	7.4% - 8.125%	2000-2006	57,485
1991	5.75% - 6.4%	2000-2022	19,730
1991	6.8% - 7.35%	2002-2021	89,207
1993	4.4% - 5.875%	2000-2022	28,985
1993	5.7% - 5.95%	2007-2009	21,861
1996	4.0% - 5.60%	2000-2022	56,915
1999A	4.5% - 6.0%	2015-2024	100,730
1999A	4.5% - 6.0%	2002-2030	10,201
1999B	7.41% - 7.56%	2005-2015	6,000
CERL -			
1985A	9.70%	2000-2003	1,280
AIRPORT -			
1997	3.95% - 5%	2000-2009	1,960
HEALTH SYSTEM -			
1997A	4.8% - 5.875%	2001-2026	47,210
1997B	Variable - 4.75%	2001-2026	25,000
UIC SOUTH CAMPUS -			
1999	5.75% - 6.25%	2013-2022	49,365
2000	6.77% - 7.96%	2001-2013	27,150
Total Principal Payable			547,504
Unamortized Debt Discount			(3,393)
TOTAL BONDS PAYABLE			\$ 544,111

The \$57,485,000, \$89,207,000, \$21,861,000 and \$10,201,000 of Series 1986, Series 1991, Series 1993 and Series 1999A Bonds, respectively, outstanding at June 30, 2000, are capital appreciation bonds which do not require current interest payments. The University records the annual increase in the principal amount of these bonds as capital appreciation on bonds payable.

Series 1997B Bonds are variable rate bonds which bear interest at a defined weekly rate and interest is paid monthly. The required debt service for the Series 1997B Bonds has been estimated using a 4.75% interest rate over the life of the bonds.

Costs associated with the issuance of the Series 1991, Series 1993, Series 1996, Series 1997, Series 1997A, Series 1997B, Series 1999, Series 1999A, Series 1999B, and Series 2000 Bonds have been recorded as a prepaid expense and are being amortized over the life of the related bond issue.

The Foundation has a demand note outstanding with interest at 6.78% and principal outstanding of \$3,801,429.

Advance Refunded Bonds

The University has defeased bonds through advance refunding in prior years and, accordingly, they are not reflected in the accompanying combined financial statements. The amount of bonds which have been defeased as of June 30, 2000 are seen in the table.

Advanced Refunded Bonds (in thousands)

Series	Outstanding at June 30, 2000
1962-8	\$ 400
1964	800
1965-A	1,650
1978-M	43,865
1978-N	22,760
1986	20,215
1992	3,450
TOTAL ADVANCE REFUNDED BONDS	\$ 93,140

Debt Service Requirements and Security

Future debt service requirements for all bonds outstanding are as follows:

Debt Service Requirements (in thousands)

	Principal	Interest and Capital Appreciation
2001	\$ 21,298	\$ 21,601
2002	23,037	22,314
2003	19,482	22,925
2004	19,309	23,560
2005	20,114	24,042
2006-2030	444,264	420,376
TOTAL	\$ 547,504	\$ 534,818

Certain bonds of the University (Series 1985, Series 1985A, Series 1986, Series 1991, Series 1993, Series 1996 and Series 1997) have debt service reserve requirements. The Maximum Annual Net Debt Service for those bonds, as defined, is \$23,147,000.

None of the University's bonds described above constitute obligations of the State of Illinois. Series 1979, Series 1985, Series 1986, Series 1991, Series 1993, Series 1996, Series 1999A and Series 1999B Bonds are payable solely by the Board from net revenues of the Auxiliary System, student tuition and fees and certain restricted plant funds. Series 1985A Bonds are payable solely from the net revenues of CERL and, under certain circumstances, the net revenues of the Auxiliary System, student tuition and fees, and certain restricted plant funds. Series 1997 Bonds are payable solely from the net revenues of the Airport and related restricted plant funds. Series 1997A and 1997B Bonds are payable solely from net revenues of the Health System, Medical Service Plan revenue net of bad debt expense, and College of Medicine net tuition revenue.

Leaseholds Payable and Other Obligations

Leaseholds payable and other obligations at June 30, 2000 consist of the following in thousands:

UNIVERSITY:

Assets Held Under Capital Lease	\$ 124,719
Natural Gas Contract Future Minimum Payments	18,055
Environmental Remediation Liabilities	7,669
Total University	150,443

FOUNDATION:

Annuities Payable	37,397
Other Liabilities	5,898
Total Foundation	43,295
TOTAL LEASEHOLDS AND OTHER OBLIGATIONS	\$ 193,738

The University leases various plant facilities and equipment under capital leases. This includes assets obtained with certificate of participation proceeds and recorded as capital leases as well as other capital lease agreements funded through operations. Assets held under capital leases are included in investment in plant as follows:

Assets Held Under Capital Lease

(in thousands)

Land	\$ 500
Equipment	2,769
Buildings	33,055
Improvements	25,489
TOTAL ASSETS	\$ 61,813
Certificates of Participation	
Series 1990 Area Studies	\$ 720
Series 1997 Utility Infrastructure	42,765
Series 1999 Utility Infrastructure	78,470
Other Capital Leases	2,764
NET PRESENT VALUE	\$ 124,719
As of June 30, 2000, future minimum lease payments under capital leases are as follows:	
2001	\$ 10,993
2002	13,131
2003	12,966
2004	12,823
2005	12,804
Later years	115,587
Total minimum lease payments	178,304
Amount representing interest	(53,585)
NET PRESENT VALUE	\$ 124,719

On August 19, 1999, the University issued Certificates of Participation, Utility Infrastructure Projects, Series 1999 (1999 COP) in the principal amount of \$78,470,000. Proceeds from the issuance of the 1999 COP are being used to finance a number of University infrastructure projects, to pay debt service during construction, and to pay all costs incident to the issuance of the 1999 COP. The University's construction in progress on the Combined Balance Sheet includes \$72.9 million for projects funded by the 1999 COP.

The University entered into a purchase contract during fiscal year 1995 to purchase a firm supply of natural gas over the next ten years. The outstanding liability is classified as other obligations on the Combined Balance Sheet and the future minimum payments under the contract are as follows:

Future Minimum Payments Under the Natural Gas Contract

(in thousands)

2001	\$ 3,628
2002	3,629
2003	3,631
2004	3,627
2005	6,616
Total minimum lease payments	21,131
Amount representing interest	(3,076)
NET PRESENT VALUE	\$ 18,055

Interest of \$1,043,000 was paid on this purchase contract during the year ended June 30, 2000.

The University monitors environmental matters to ensure that adequate reserves are recorded for environmental contingencies. The estimated liability at June 30, 2000 is \$7,669,000.

The University leases various properties from the Foundation under capital lease obligations amounting to \$376,000 at June 30, 2000.

The University also leases various buildings and equipment under operating lease agreements. Total rental expense under these agreements was \$5,996,000 for the year ended June 30, 2000. In future years, the University expects to incur annual rental expense in amounts similar to 2000. The future minimum lease payments (excluding those leases renewed on an annual basis) are as follows:

Future Minimum Operating Lease Payments

(in thousands)

2001	\$ 6,046
2002	4,648
2003	3,134
2004	1,588
2005	263
TOTAL	\$ 15,679

The University engages in interfund borrowing to finance campus projects. These borrowings paid interest of \$1,001,000 to the consolidated group fund during 2000 at rates ranging from 5.0% to 6.8%. All outstanding interfund borrowings at June 30, 2000 will mature between 2001 and 2009.

At June 30, 2000, the Foundation had annuities payable outstanding of \$37,397,000. Annuities payable represent an actuarial computation of the present value of future payments to annuitants.

State Universities Retirement System

The Entity contributes to the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined-benefit pension plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed

by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50% of full-time; or (c) employed less than full-time and attending classes with an employer. Of those Entity employees ineligible to participate, the majority are students at the University.

SURS provides retirement, disability and death benefits. Members are eligible for normal retirement at any age after 35 years of service, at age 60 after 8 years of service or at age 62 after 5 years of service. There are also provisions for early retirement. Retirement benefits are based on certain formulas that generally are a function of years of service and the average salary based on the highest earnings of any four consecutive years. Disability benefits are paid to disabled members with two years of covered service, generally at 50% of basic compensation until the total benefits paid equal 50% of the total earnings in covered service. Death benefits are payable to survivors of an active member with one and one half years of covered service or of a former member with ten years of covered service. These benefits are payable until children attain the age of 18, to a spouse after age 50 and to a dependent parent after age 55. Benefits are equal to the retirement contributions and interest, a lump sum payment of \$1,000, and a monthly annuity equal to a portion of the accrued normal retirement benefit based on specified formulas.

Plan members are required to contribute 8.0% of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 9.63% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The University's contributions to SURS for the years ended June 30, 2000, 1999, and 1998 were \$109,605,000, \$103,705,000, and \$97,496,000, respectively, equal to the required contributions for each year.

Entity employees hired prior to April 1, 1986 are exempt from contributions required under the Federal Insurance Contribution Act. Employees hired after March 31, 1986 are required to contribute 1.45% of their gross salary for Medicare. The Entity is required to match this contribution.

Employees may also elect to participate in certain tax-sheltered retirement plans. These voluntary plans permit employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plans. Participation and the level of

employee contributions are voluntary. The employer is not required to make contributions to these plans.

Postemployment Benefits

In addition to providing pension benefits, the State provides certain health, dental and life insurance benefits to annuitants who are former State employees. This includes annuitants of the Entity. Substantially, all State employees, including the employees of the Entity, may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 and older are limited to \$5,000 per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized on a pay-as-you-go basis. These costs are funded by the State except for certain non-appropriated funds funded by the University.

Commitments And Contingencies

Encumbrances

Encumbrances which represent goods or services that have been ordered for which delivery has not been made or the services have not been rendered at June 30, 2000 are not recorded in the accompanying combined financial statements. Encumbrances of the Current Funds were approximately \$18,550,000 at June 30, 2000. At June 30, 2000 the University had commitments on various construction projects and contracts for repairs and renovation of facilities of approximately \$53,200,000.

Grants and Contracts

The University receives monies from federal and state government agencies under grants and contracts for research and other activities. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University believes that any disallowances or adjustments would not have a material effect on the University's financial position.

The University also receives monies under third-party payor arrangements for payment of medical services rendered at its hospital and clinics. Some of these arrangements allow for settlement adjustments based on costs and other factors. The University believes that any adjustments would not have a material effect on the University's financial position.

Legal Actions

The University is a defendant in a number of legal actions primarily related to medical malpractice. These legal actions have been considered in estimating the University's accrued self-insurance liability. The total of amounts claimed under these legal actions, including potential settlements and amounts relating to losses incurred but not reported, could exceed the amount of the self-insurance liability. In the opinion of the University's administrative officers, the University's self-insurance liability and limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

Contingencies

In order to participate in the Medicare and Medicaid programs, a hospital is required to meet and maintain certain standards called conditions of participation. The Health Care Financing Administration (HCFA) of the United States Department of Health and Human Services is responsible for ensuring that hospitals meet the conditions of participation and does so by requesting the state licensing agency to conduct a survey to confirm compliance. On January 30, 1997, HCFA issued a letter to the Hospital outlining certain noncompliance with the conditions of

participation. The Hospital submitted a plan of correction which was accepted and a follow-up survey was performed. Based on the follow-up survey, the Hospital was determined to be in compliance with the conditions of participation except for certain deficiencies noted in an April 7, 1997, HCFA letter. Until such deficiencies are corrected to the satisfaction of HCFA, the Hospital will continue to be subject to further state agency follow-up surveys. If these deficiencies are not remediated by October 30, 2000, the Hospital's participation in the Medicare Program will be terminated. If termination were to occur, the Hospital would not be eligible to receive payment for inpatient hospital services rendered to patients admitted after the termination date. However, the Hospital's management anticipates the deficiencies revealed in the follow-up survey will be corrected within the time frame required by HCFA and, therefore, such deficiencies will not have an adverse effect on the Hospital's operations or financial condition.

Subsequent Events

On July 12, 2000 the University issued Auxiliary Facilities Bonds (Bonds) for \$11,500,000. The Bonds were issued to finance construction of a new student housing facility and food service improvements at the University's Springfield campus.

Combining Balance Sheet for University Related Organizations as of June 30, 2000 (in thousands)

Supplemental Schedule I

	UNIVERSITY RELATED ORGANIZATIONS				COMBINED TOTALS	
	FOUNDATION	ALUMNI ASSOCIATION	UIHMO	WWT	2000	1999
ASSETS						
Cash and cash equivalents	\$ 2,749	\$ 817	\$ 2,993	\$ 439	\$ 6,998	\$ 8,482
Investments	694,991	13,609			708,600	642,130
Accrued investment income	1,374	46			1,420	1,189
Accounts receivable (net)	2,399	68	43	39	2,549	5,621
Notes receivable (net)	1,353				1,353	1,712
Inventories and deferred charges		14			14	20
Prepaid expense	24	40	38	6	108	94
Due from related organizations	166			31	197	528
Investment in plant -						
Land	2,066				2,066	2,106
Buildings	2,032				2,032	600
Equipment	1,519	261	64	762	2,606	1,774
Real estate and farm properties	24,871				24,871	26,118
Other assets	13,986	5	310		14,301	11,731
TOTAL ASSETS	\$ 747,530	\$ 14,860	\$ 3,448	\$ 1,277	\$ 767,115	\$ 702,105
LIABILITIES						
Accounts payable	\$ 3,592	\$ 61	\$ 303	\$ 742	\$ 4,698	\$ 9,322
Accrued payroll		134			134	99
Accrued compensated absences	596				596	696
Deferred revenue and student deposits		670	273		943	2,362
Leaseholds payable and other obligations	43,295				43,295	34,585
Notes payable	3,801				3,801	2,136
Due to related organizations	7	112	1,207	1,360	2,686	1,203
Assets held for others	2				2	12
TOTAL LIABILITIES	51,293	977	1,783	2,102	56,155	50,415
FUND BALANCES (DEFICIT)						
Current funds-unrestricted	1,681	13,016	1,665	(1,587)	14,775	16,028
Current funds-restricted	39,696	606			40,302	44,558
Endowment-restricted	433,458				433,458	391,360
Quasi-endowment	144,699				144,699	129,939
Term endowment	1,930				1,930	1,679
Annuity	45,296				45,296	24,391
Life income	26,401				26,401	40,776
Plant funds	3,076	261		762	4,099	2,959
TOTAL FUND BALANCES (DEFICIT)	696,237	13,883	1,665	(825)	710,960	651,690
TOTAL LIABILITIES & FUND BALANCES (DEFICIT)	\$ 747,530	\$ 14,860	\$ 3,448	\$ 1,277	\$ 767,115	\$ 702,105

NOTE: The UIHMO financial information is as of and for year ended December 31, 1999.

Combining Statement of Changes in Fund Balances (Deficit) for University Related Organizations for the Year Ended June 30, 2000 (in thousands)

Supplemental Schedule II

	UNIVERSITY RELATED ORGANIZATIONS				COMBINED TOTALS	
	FOUNDATION	ALUMNI ASSOCIATION	UIHMO	WWT	2000	1999
REVENUES AND OTHER ADDITIONS						
Unrestricted current funds revenues	\$ 7,620	\$ 3,465	\$ 15,153	\$ 264	\$ 26,502	\$ 26,397
Restricted gifts, grants and contracts -Private	100,531				100,531	83,151
Investment income-restricted	9,814	4			9,818	9,470
Net increase in fair value of investments	29,203	6			29,209	41,543
Other	1,677	213		762	2,652	1,691
TOTAL REVENUES AND OTHER ADDITIONS	148,845	3,688	15,153	1,026	168,712	162,252
EXPENDITURES AND OTHER DEDUCTIONS						
Educational and general expenditures	9,716	4,827	14,943	1,851	31,337	28,319
Interest on indebtedness	218				218	133
Other	4,240				4,240	3,349
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	14,174	4,827	14,943	1,851	35,795	31,801
TRANSFERS-ADDITIONS (DEDUCTIONS)						
University related organizations	(75,522)	1,875			(73,647)	(64,882)
NET TRANSFERS	(75,522)	1,875			(73,647)	(64,882)
CHANGE IN FUND BALANCES (DEFICIT)	59,149	736	210	(825)	59,270	65,569
FUND BALANCES AT BEGINNING OF YEAR	637,088	13,147	1,455		651,690	586,121
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ 696,237	\$ 13,883	\$ 1,665	\$ (825)	\$ 710,960	\$ 651,690

NOTE: The UIHMO financial information is as of and for year ended December 31, 1999.

Combining Statement of Current Funds Revenues, Expenditures, and Other Changes for University Related Organizations for the Year Ended June 30, 2000 (in thousands)

Supplemental Schedule III

	UNIVERSITY RELATED ORGANIZATIONS				COMBINED TOTALS	
	FOUNDATION	ALUMNI ASSOCIATION	UIHMO	WWT	2000	1999
REVENUES						
Educational and general -						
Private gifts, grants and contracts	\$ 58,879	\$	\$	\$	\$ 58,879	\$ 51,529
Endowment and other investment income	10,673	410	205	18	11,306	10,971
Net increase (decrease) in fair value of investments	(222)	313			91	(25)
Other sources	7,955	2,965	14,948	246	26,114	25,756
TOTAL EDUCATIONAL AND GENERAL REVENUES	77,285	3,688	15,153	264	96,390	88,231
TOTAL REVENUES	77,285	3,688	15,153	264	96,390	88,231
EXPENDITURES AND MANDATORY TRANSFERS						
Educational and general -						
Institutional support	9,716	4,756	14,943	1,851	31,266	28,256
Scholarships and fellowships		71			71	63
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	9,716	4,827	14,943	1,851	31,337	28,319
MANDATORY TRANSFERS FOR -						
Retirement of indebtedness	2				2	7
TOTAL EDUCATIONAL AND GENERAL	9,718	4,827	14,943	1,851	31,339	28,326
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	9,718	4,827	14,943	1,851	31,339	28,326
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)						
Inter-fund transfers -						
Endowment and similar funds	3,251				3,251	6,678
Annuity and life income	146				146	65
Plant funds	(310)				(310)	(264)
University related organizations	(75,522)	1,875			(73,647)	(64,882)
NET OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	(72,435)	1,875			(70,560)	(58,403)
CHANGES IN FUND BALANCES (DEFICIT)	\$ (4,868)	\$ 736	\$ 210	\$ (1,587)	\$ (5,509)	\$ 1,502

NOTE: The UIHMO financial information is as of and for year ended December 31, 1999.



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